



FACULTY OF ECONOMICS  
AND BUSINESS ADMINISTRATION

# POLITICS BY NUMBERS ?

## MODERNIZING LOCAL GOVERNMENT AND ITS IMPACT ON FLEMISH POLITICIANS

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# SAMENVATTING IN HET NEDERLANDS (DUTCH SUMMARY)

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De New Public Management (NPM) beweging, die technieken en instrumenten uit de private sector in overheidsdiensten introduceert, richt zich niet enkel tot de (top)ambtenaren maar focust ook expliciet op politici. Er wordt van hen verwacht dat ze efficiënt, kostenbewust en resultaatgericht besturen. Binnen- en buitenlandse ervaringen tonen echter aan dat de resultaten van dergelijke hervormingen niet altijd bevredigend zijn, vooral wat de politieke besluitvorming betreft. Zowel academici als praktijkmensen zijn over het algemeen eerder sceptisch wat betreft de impact van de hervormingen op het gedrag van politici.

Dit doctoraat focust op één van de kernelementen van het NPM, m.n. het financieel management. Het omvat drie studies die vanuit diverse invalshoeken aspecten van financieel management door lokale politici bestuderen.

De eerste studie maakt een evaluatie van de vertrouwtheid van fractieleiders in de gemeenteraad met een aantal NPM principes. Vertrouwtheid wordt aanzien als een eerste fase binnen de implementatie van nieuwe instrumenten en principes. De opzet is om met een vernieuwende methodiek die erin bestaat een ‘NPM-vertrouwheidscoëfficiënt’ te construeren een eerste kwantitatieve analyse van vertrouwtheid met NPM mogelijk te maken. Daarnaast behandelt de studie de controverse in de literatuur m.b.t. het effect van individuele kenmerken op deze NPM vertrouwtheid. De data werden verzameld via een online bevraging bij 363 fractieleiders in Vlaamse gemeenteraden. De resultaten tonen aan dat fractieleiders slechts in beperkte mate met de principes vertrouwd zijn, maar dat verschillende persoonlijke kenmerken hierop een invloed uitoefenen. Het behoren tot de meerderheid, verschillende mandaten combineren, financiële en politieke ervaring hebben een positieve invloed op vertrouwtheid met NPM concepten.

Na vertrouwtheid met NPM principes onderzoekt de tweede studie een specifieke toepassing ervan in de praktijk. Het maakt een balans op van het gebruik van financiële informatie tijdens het budget debat in de gemeenteraad. Aangezien politici een gebruikerspatroon hebben dat afwijkt van het ‘klassiek of traditioneel’ gebruik van financiële informatie, hanteert deze studie een innovatieve vorm van data verzameling en analyse. Het discours van raadsleden tijdens het budgetdebat wordt grondig geanalyseerd en voor elke tussenkomst wordt nagegaan of er financiële informatie in vervat zit. De analyses bieden voor de eerste maal empirisch bewijs over het zichtbaar gebruik van financiële informatie door raadsleden. We meten het aantal referenties naar financiële informatie (zowel budgettaire als

vermogensinformatie) op basis van een scoringstechniek uit de management accounting literatuur. Bovendien onderzoeken we of verschillende lokale politieke en financiële factoren een impact hebben op dat type gebruik van financiële informatie. De resultaten tonen aan dat budgettaire informatie veel frequenter in de discussie voorkomt dan vermogensinformatie. Factoren die een positieve invloed uitoefenen op het verwijzen naar financiële informatie zijn o.m. concurrentie tussen de partijen in de gemeenteraad, een meerderheid bestaande uit een coalitie van partijen, een mondelinge toelichting over het budget bij aanvang van de zitting en tenslotte de belastingvoet als indicator voor de financiële situatie van de gemeente. De schuldgraad en de figuur van de raadsvoorzitter (raadslid of lid van het college) hadden geen significante invloed.

De derde en laatste studie focust op een ander aspect van lokaal financieel management. Het onderzoekt of lokale politieke omstandigheden de capaciteit van gemeenten om subsidies aan te trekken, kunnen verklaren. We gebruiken hiervoor gegevens uit een recente inventarisatie van de subsidiestromen naar lokale besturen in opdracht van de Vlabest (Vlaamse Adviesraad voor Bestuurszaken). In navolging van de ‘upper echelon’ theorie, die stelt dat performantie van organisaties vaak afhangt van enkele centrale figuren, trachten we de ‘menselijke politieke factor’ aan de kwantitatieve analyse van de politieke omstandigheden toe te voegen. Hiervoor interviewden we 11 burgemeesters, waarbij we vroegen naar hun rol in die subsidieprocessen en peilden naar hun mening over de impact van lokale politieke condities. De statische analyses wijzen uit dat sommige politieke omstandigheden (zoals o.a. het aantal partijen in de gemeenteraad) en bepaalde kenmerken van de burgemeester (politieke partij, cumul van politieke mandaten) een invloed uitoefenen op de hoeveelheid subsidies die een gemeente kan aantrekken. De burgemeesters geven aan subsidies zeer nauw op te volgen, maar de mate waarin ze zelf in het proces betrokken zijn, verschilt sterk.

De algemene conclusie van het doctoraat luidt: scepticisme met betrekking tot de resultaten van vernieuwingen op het handelen van politici is gerechtvaardigd, maar een aantal factoren kunnen ter zake een stimulerende of negatieve invloed uitoefenen. De nieuw ontwikkelde meetinstrumenten en de innovatieve methodologie bieden enkele vernieuwende inzichten die vooral de huidige opvattingen kunnen verfijnen.

# EXECUTIVE SUMMARY

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This dissertation consists of three studies about local financial management. The articles have a different focus but they all address aspects of politicians' behavior or knowledge in relation to local financial management practices. The Flemish local governments' context is particularly conducive for this study as the Flemish local government Act "Gemeentedecreet" introduced new principles and instruments aiming at reforming and 'modernizing' the administration and the (political) policymaking in cities and municipalities. This way, Flemish local governments represent an interesting case as 'new' elements have been combined with existing ones.

The first study addresses the controversy in the literature regarding the effects of individual factors on party group leaders' familiarity with a selection of New Public Management concepts. In doing so, it contributes to the scarce literature regarding this group of non-executive politicians. Furthermore, this study has an innovative methodological approach, introducing an NPM "familiarity coefficient" in order to make a quantitative assessment. Data was gathered from a survey of 363 party group leaders in Flemish municipalities and the results reveal moderate familiarity. Factors that had a positive effect on the NPM familiarity coefficient were being a majority leader, combining different political mandates and financial as well as political expertise.

The second study provides new empirical evidence about Flemish municipal councilors' use of financial information in the yearly budget debate. Since councilors generally do not handle information according to 'standard use models', this article adopts a new method of data collection by scrutinizing their contributions during the budget debate in Flemish municipalities for the presence of financial information. The incorporation of financial information in councilors' contributions to the debate is conceptualized as a particular form of use of financial information in practice. The presence of both budgetary and accrual financial information is quantitatively assessed using a scoring technique taken from the management accounting literature. Additionally, this paper analyzes whether various political and financial circumstances affect politicians' mentioning of this information in their deliberations. The results reveal a strong prevalence of budgetary information over accrual accounting information in councilors' speech. This is positively influenced by political competition, the occurrence of a coalition majority, a verbal explanation of the budget and higher tax rates. Debt rate and the character of the council chair have no significant impact.

The third and final study contributes to the need for more profound and integrated studies of individual and political characteristics that explain differences between municipalities with

regard to their capacities to attract subsidies<sup>1</sup>. The paper quantitatively assesses the impact of local political conditions on municipalities' capacity to obtain subsidies. To integrate the 'human political factor' we add mayors' opinions about their role and their view about the impact of local political conditions. We use empirical material from a recent inventory of subsidy flows by the Vlabest (Flemish advisory council for administrative affairs) in combination with data from interviews with 11 mayors. The statistical evidence suggests that some political factors (e.g., parties in council) and properties related to the mayor (party, combining political mandates) have an impact on the subsidy stream that municipalities obtain. Moreover, mayors position themselves as very relevant actors in the process of obtaining subsidies although their personal engagement differs.

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<sup>1</sup> Grants' is another frequently used term. We refer to both grants and subsidies in the same meaning.

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# INTRODUCTION

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Managerial reforms of local government continue to dominate the political agenda and practice throughout Europe (Steyvers et al. 2008). In line with the principles of NPM (New Public Management) and post NPM, also called the “governance era”, cities and municipalities are constantly being restructured and reformed (Hood 1991, 1995, Bel, Hebdon, and Warner 2007, Kuhlmann 2010, Fattore, Dubois, and Lapenta 2012). These modernization initiatives do not solely affect the administration. Restructurings also concern political institutions and political decision- and policymaking (Hansen 2001). Many of these local governments reforms aim to make the political leaders much more market-, performance-, cost-, efficiency-, output- and audit- oriented (Diefenbach 2009, Bochel and Bochel 2010, Wollmann 2012). As a consequence, reformers undertook various initiatives to sensitize politicians for these reform ideas (Schedler 2003). They quickly understood that in order to successfully translate the reform principles into actual (political) practice, strong support and acceptance from politicians was necessary (Lapsley and Pallot 2000, Schedler 2003, Anessi - Pessina, Nasi, and Steccolini 2008, Bochel and Bochel 2010). They are considered as crucial actors to bring the modernization principles into practice. However, many experiences in Western local government showed that the results of those reforms on politicians’ behavior are at least questionable and very often even disappointing (Pollitt and Bouckaert 2011).

In combination with the efforts to ‘modernize’ cities and municipalities, initiatives were taken to strengthen the position of local politicians in order to restore the position of the council as the cornerstone of local democracy (Rao and Berg 2005). With a view to re-empowering politicians, they were attributed more prominent roles in the policymaking and management of local governments. So local politicians are increasingly considered as key pivotal policymakers that should ideally decide more ‘businesslike’ using specifically designed information and instruments.

In spite of the omnipresence of local government modernization reforms, empirical evidence about the effects of those governmental reforms on politicians’ actions and behavior remains a concern in contemporary research<sup>1</sup>. For example, there is far less knowledge about

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<sup>1</sup> There is of course some research that aimed at measuring (large scale) effects of NPM-reforms. For example studies in the area of performance management or public sector accounting see e.g., Pollitt and Dan (2013) and Speklé and Verbeeten (2014)

politicians' than about managers' experiences with NPM concepts and tools. Moreover, it is not evident that the findings concerning managers and civil servants apply to politicians as they conduct their work in very different ways (Askim 2008, Liguori, Sicilia, and Steccolini 2009, Liguori, Sicilia, and Steccolini 2012). Although the findings about politicians' real and visible behavior are scarce, the majority of the existing studies are rather skeptical about the effects of many local government reforms on politicians' behavior. The major obstacle for politicians' assimilation of the NPM ideas seems to be the discrepancy between political thinking and the more efficiency driven businesslike thinking embedded in the NPM reform ideas and instruments. So the obvious question is, if all the initiatives aiming at altering politicians' decision-making by means of providing adequate NPM inspired instruments really lead to any desirable outcome.

This field of tension between reformers' intentions to shift politicians' role orientation towards more 'businesslike' thinking and politicians' ultimate behavior constitutes the research area of this doctoral dissertation. We particularly direct the focus to local politicians and financial management. Due to the closeness of local politicians to policymaking and implementation and the fact that they had to be willing to implement the NPM reforms from the ground up (in contrast with for example national politicians working at a certain distance from the implementation of new principles and instruments), these gaps between the intended and the actual impact on politicians' behavior are particularly visible at the local level. Local politicians are more operationally involved and face more directly the demands from their constituents. As a consequence their internalization of the NPM-mindset could be more amendable to systematic research.

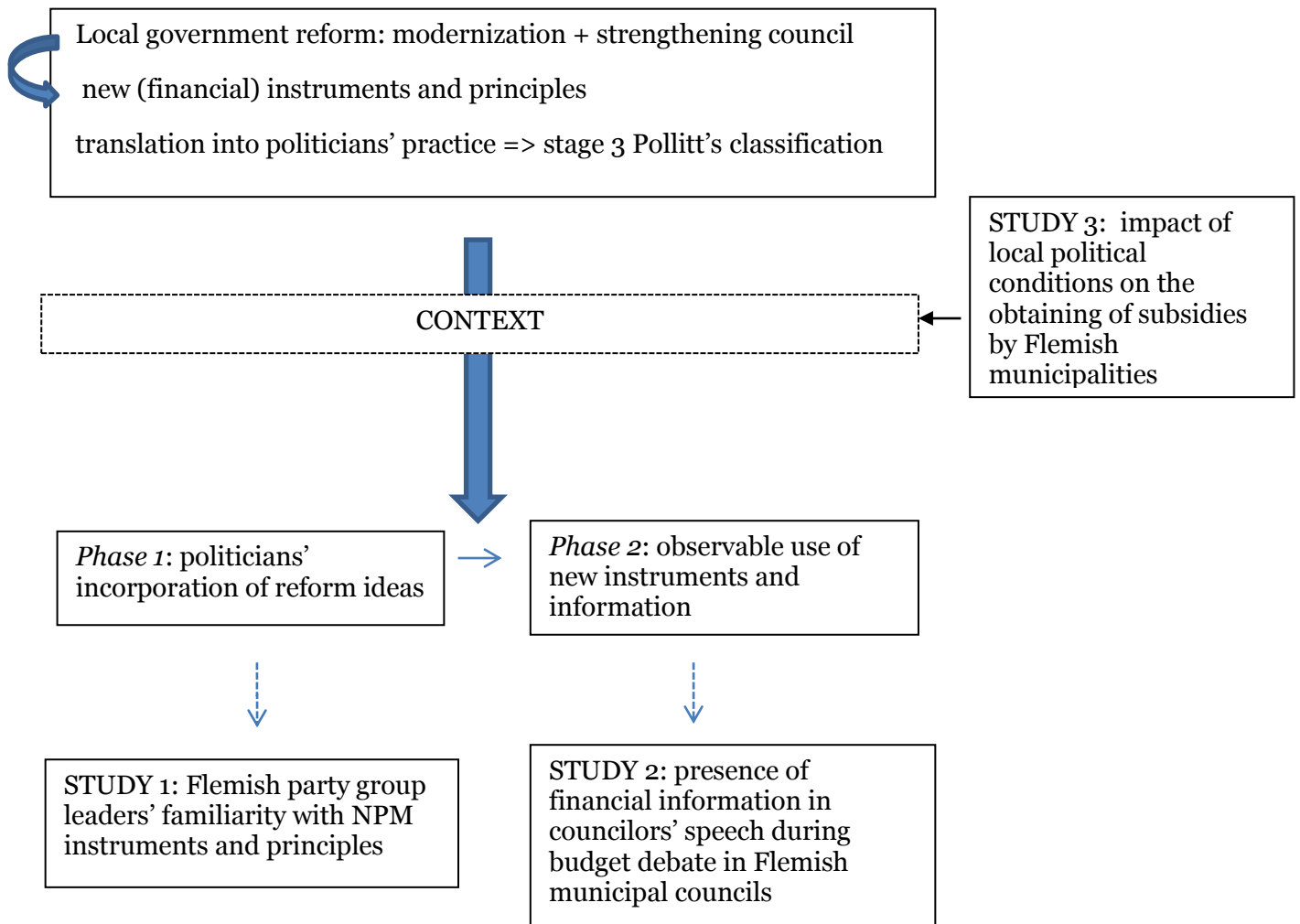
We conceptualize familiarity with NPM-instruments as an estimate of their integration of the NPM idea in their mindset. As such, we can roughly situate this dissertation in the third stage of Pollitt's classification of public management reform (Pollitt 2001). The first stage stands for the new managerial 'discourse', the relatively abstract ideas of running the public sector in a businesslike manner forming the conceptual agenda. The second stage contains the decisions of political executives and managers to develop and adopt new instruments. The third phase concerns the daily managerial activities and styles that embed the newly developed management instruments (Pollitt 2001). Research concerning the third stage requires a more sophisticated approach than the first and the second. Often extensive field work, including survey and case or field studies will be necessary to investigate how techniques are used and also shed light on contextual and organizational factors that may influence the use of new techniques in actual practice (Van Helden 2005).

Most evidence about politicians' behavior in relation to NPM reforms stems from case studies using qualitative methods (for example Lapsley and Pallot (2000), Ter Bogt (2001), Van Helden and Jansen (2003)). These studies have provided valuable insight and interesting hypotheses but little systematic evidence (Askim 2007). In order to obtain more systematic empirical knowledge, this dissertation analyzes both qualitative and systematic quantitative data and employs innovative methods of data collection.

Overall, the three studies in this dissertation contribute in various ways to the existing knowledge about local government reform and its impact on politicians. Firstly, we empirically investigate politicians' visible and more direct use of certain NPM related instruments based on rich and unbiased data about real and observable use of financial information in a political setting. Secondly, by studying both executive and non-executive politicians as distinctive categories. In addition, we assess party group leaders' familiarity with NPM principles and instruments, as special 'in between' group. Thirdly, all three studies cover different aspects of financial management, considered as the core of the NPM. The specific use of financial information for discussing the annual municipal budget, processes of obtaining financial grants and politicians' overall familiarity with budget ownership are, among others, subjects in this dissertation.

Although the studies concentrate on particular topics, they also share common elements. In the two first studies politicians' familiarity with NPM related instruments and their observable use of financial information are considered indicators of their assimilation of this new mode of local government. Whereas the first paper assesses overall familiarity as first step in the process of internalization of NPM-like instruments and principles, the second paper focuses on the following stage, i.e., the observable use of related financial information. In the third paper local political conditions, in terms of political circumstances and the character of the mayor, are considered as explanatory factors for the extent to which municipalities are able to attract subsidies. So in contrast with the first two studies, the political context is more prominent in the third paper. *Figure 1* presents the structure of the dissertation.

Figure 1: Structure of the dissertation



The first study brings a general overview of party group leaders' familiarity with some of the most important NPM instruments and concepts. It introduces an NPM-familiarity coefficient to make a quantitative assessment of politicians' internalization of NPM ideas. In addition, some individual characteristics that could influence this familiarity are examined. The results show that besides the positive impact of political experience and financial expertise, political factors, more specifically belonging to the majority and combining political mandates, play a vital role in the extent to which politicians are familiar with instruments related to local governments' modernization. Majority members are more familiar with NPM instruments and principles than their opposition counterparts.

After the more general evaluation of familiarity with modern policy instruments, the second study addresses the following stage, i.e., observable use of instruments and information. It zooms in on non-executive councilors' behavior, more particularly on their mentioning of



financial information in the yearly budget debate in the municipal council and on the factors that could influence this particular type of use. In accordance with the first study, it confirms the relevance of political factors on politicians' actions. The political context (e.g., competition in the council) influences the extent to which financial information is referred to as argumentation in the budget debate.

The third and final study directs the focus to processes of local financial management. It investigates whether local political conditions influence the level of subsidies that municipalities are able to obtain from the Flemish government. Additionally, some control factors that could also be considered as 'demand indicators' are taken into account. The results show that larger and more urbanized municipalities obtain significantly more subsidies. However, statistical analyses also demonstrate a clear positive influence of some political conditions such as the number of parties. Municipalities with mayors from local parties are negatively predisposed.

The three studies are presented as three consecutive chapters in this dissertation. They are followed by a conclusion, some points for practitioners and suggestions for future research.

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# STUDY 1 : WHY ARE SOME FLEMISH MUNICIPAL PARTY GROUP LEADERS MORE FAMILIAR WITH NPM PRINCIPLES THAN OTHERS? ASSESSING THE INFLUENCE OF INDIVIDUAL FACTORS<sup>3</sup>.

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## Abstract

This study addresses the controversy in the literature regarding the effects of individual factors on party group leaders' familiarity with a selection of New Public Management concepts. In doing so, it contributes to the scarce literature regarding this group of non-executive politicians. Furthermore, this study has an innovative methodological approach, introducing an NPM "familiarity coefficient" in order to make a quantitative assessment. Data was gathered from a survey of 363 party group leaders in Flemish municipalities and the results reveal moderate familiarity. Factors that had a positive effect on the NPM familiarity coefficient were being a majority leader, dual mandate holding and financial as well as political expertise.

**Key words:** local government reform, New Public Management, party group leaders.

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<sup>3</sup> A version of this paper has been published as Buylen, Bénédicte, and Johan Christiaens. "Why Are Some Flemish Municipal Party Group Leaders More Familiar with NPM Principles Than Others? Assessing the Influence of Individual Factors." LEX LOCALIS-JOURNAL OF LOCAL SELF-GOVERNMENT 12.1 (2014): 79-103.

## 1. Introduction

New Public Management (NPM) not only seeks to reorganize administration, it also aims to make politicians much more business-like, i.e. market-, performance-, efficiency-, and output oriented (Hansen 2001, Tiili 2007, Diefenbach 2009, Pina, Torres, and Yetano 2009, Bochel and Bochel 2010, Wollmann 2012). Politicians are the key adopters of NPM related measures, although scholars are quite critical with regards to their absorption of its doctrines (Lapsley and Pallot 2000, Schedler 2003, Anessi-Pessina, Nasi, and Steccolini 2008, Diefenbach 2009, Lowndes and Wilson 2003, Tiili 2007, Pollitt and Bouckaert 2011). There are two primary reasons why it should come as no surprise that politicians experience difficulties in adhering to the NPM doctrine. Firstly, NPM takes economic rationality as its starting point, whereas politicians are generally constrained by a different rationale: the 'logic of politics', which tends to centre on short-term thinking and obtaining re-election (Van Dooren 2005, Tiili 2007, Liguori, Sicilia, and Steccolini 2009). The two ways of thought come into conflict because NPM's 'economic logic' does not correspond well with any 'political logic' focused on attracting voters (Ter Bogt 2004, Yetano 2009, Liguori, Sicilia, and Steccolini 2009). Secondly, while NPM expects politicians to formulate strategic goals and oversee their implementation by civil servants, studies have shown that they have difficulty in developing targeted and coordinated action plans – despite the fact that politicians are now expected to have more business-related knowledge and qualifications (Steyvers et al. 2006, 2010, Tiili 2007, Liguori 2010).

While research has provided information regarding managers' experiences with NPM concepts and tools, it remains unclear as to exactly how much of the 'NPM story' has been incorporated into politicians' mind-sets or which factors influence this internalization process (Schedler 2003, Askim 2007). In general, political scientists have preferred to study the evolution undergone by councilor's functions; for example, the comparative project on municipal assemblies in European local governance provides very valuable empirical information about career development, role reorientation and task environment in the light of contemporary local governance (Steyvers and Verhelst 2012a, b). However it does not relate councilors' role perceptions to actual familiarization with principles of modern local government.

Relatedly, public management researchers only occasionally associate politicians with the results of these reforms, and local councilors have received especially short shrift. Studies such as those by Lapsley and Pallot (2000), Ter Bogt (2004), Melkers and Willoughby (2005), Askim (2007, 2008), and Van Helden and Ter Bogt (2011) have investigated politicians' use of specific NPM related financial instruments, such as accrual accounting, performance measurement and budgeting techniques. And while they have provided

investigators with valuable insights and interesting hypotheses about specific instruments and tools, there has been little produced in the way of more general, systematic, quantifiable data. Moreover, they only peripherally take into account individual factors, which could impact on politicians' familiarization with NPM concepts. Research on councilors' recruitment and career development did show that certain groups of politicians have a structural advantage over others and that social characteristics such as gender, education, age or profession have an effect on councilors' general professionalization and subsequent role conceptions, -style and focus (Steyvers and Verhelst 2012b). In fact, Askim's (2009) analysis of Norwegian councilors' use of performance information, shows that such factors can explain differences in usage patterns. Therefore, insight into the personal or individual traits that either aid or inhibit councilors in becoming familiar with NPM principles is very relevant to the success of future reforms.

## **2. Focus on party group leaders in local councils**

The local level offers a particularly promising context for studying politicians' internalization of NPM principles. Councilors' close proximity to policymaking, and the fact that they have to implement NPM reforms from the ground up, makes this process readily discernable (Tiili 2007). Furthermore, municipal politicians may have some discretion in instituting new guidelines, and could therefore be considered key political NPM protagonists and agents of change within their locales (Brugue and Valles 2005, Bochel and Bochel 2010). However, only a few studies have focused on, and systematically examined, the internalization of NPM concepts by non-executive councilors (Askim 2007, 2009). Because they are more clearly associated with NPM reforms, and the process by which they become familiar with modernization instruments is less opaque, studies often focus on mayors and aldermen, and as far as we could ascertain, no previous investigations have dealt with party group or faction leaders in councils as a separate and distinct class of politicians, although they form a unique sub-class among the 'ordinary' councilors (Bochel and Bochel 2010).

Party group leaders are elected councilors who lead others from their faction in the municipal assembly. Their standing is strong in countries where there is strong partisan fragmentation such as in the Low Countries. They hold a unique position as the linchpin between the legislative and executive levels, and means that strong-minded individuals can expand their roles if they so choose (Bochel and Bochel 2010). *Majority* group leaders, in particular, can often use their standing as a steppingstone to an executive mandate on the city council – and their close proximity to that body's members and the municipality's internal organization means that they could, in theory, be more familiar with the principles of modernization in local government than other councilors.

Conversely, this may apply to their colleagues on the other side of the aisle as well. The duty of the opposition is to check the other parties if and when it becomes necessary; as such, these faction leaders play a crucial part in supervising, critiquing and controlling the implementation of the majority's policies. As a result, they may pay particular attention to those NPM instruments associated with effective and efficient municipal organization. This study investigates to what extent this very prominent, yet thus overlooked, group of non-executive politicians is familiar with NPM principles.

### **3. Introducing the NPM familiarity coefficient**

Our primary purpose here is to perform a *quantitative* assessment. Despite having undergone more than two decades of NPM style reforms, we still lack a sound instrument for evaluating politicians' knowledge of these concepts (Windels and Christiaens 2006). With a view towards remedying this situation, we've developed an 'NPM familiarity coefficient' to measure how well policy makers are familiar with a selection of principles and instruments associated with NPM. Pollitt (2001) has outlined four states of NPM adoption: discourse, decision-making, real organizational practice and impact on public institutions. Our study, as outlined above, is situated in the third stage, real organizational practice.

Indeed, in terms of what politicians are actually familiar with, the underlying theory may be less relevant than tangible principles and instruments. NPM is an umbrella term for a variety of different modernization initiatives with national and context specific features, and a councilor may not even realize that he or she is working within this framework when, for example, reading financial reports. We therefore believe that by assessing politicians' familiarity through actual instruments and principles, rather than theories, we will be able to draw some conclusions regarding how well NPM ideas have filtered into politicians' thinking. This has practical implications because other research has already shown that politicians who have more than a nodding acquaintance with NPM instruments are more likely to be convinced of their usefulness, and may therefore be more inclined to put them to the test (Anessi - Pessina, Nasi, and Steccolini 2008). Being able to measure their familiarity will enable policy makers to target those groups that need to be more sensitized, thus improving reform implementation.

### **4. Construction of the NPM familiarity coefficient**

The NPM-like instruments used in our study were chosen based on the stipulations of the Flemish Local Government's Act (LGA), the related explanatory memorandum and interviews with experts<sup>12</sup>. While the instruments under consideration were developed in



Flemish municipalities (see below), the underlying concepts are generic, and represent the NPM style of local government modernization as it has been applied in various European countries (Hood 1991, 1995). Gruening (1998) and Diefenbach (2009), both critics of the movement, consider them core concepts, undisputedly characteristic of NPM. The first three elements relate to internally oriented accounting tools, reflecting the fact that financial management reforms are NPM's bread and butter, and without them the theory would be far less significant (Guthrie, Olson, and Humphrey 1998). The fourth and fifth components refer to more general, externally oriented management principles.

#### **4.1 Budget ownership**

The devolvement, decentralization or delegation of budgets is a key item in NPM financial management (Guthrie, Olson, and Humphrey 1998). Budget ownership is an expression of visible, hands-on administration and contract control, bringing both increased discretionary power and clearer allocation of responsibilities (Hood 1991, 1995). It also articulates NPM's insistence upon the separation of politics and administration, which is intended to enhance civil servants' management freedom by increasing internal autonomization (Gruening 1998). According to Diefenbach (2009), empowerment and, at the same time, staff subsidiarity are expected to foster business-like, entrepreneurial attitudes, and could also speed up decision-making processes.

#### **4.2 Management control and policy cycle**

New management control and policy cycles introduce improved financial reporting and administration systems in accordance with professional, private sector accounting norms and standards - such as the use of accrual based financial statements (Hood 1991, 1995, Guthrie, Olson, and Humphrey 1998, Gruening 1998). The Flemish version of this concept, the '*BBC-Beleids- en Beheerscyclus*<sup>3</sup>', integrates financial and management accounting systems by linking the budget to the reporting of results in financial and non-financial terms. This initiative also symbolizes a shift in the focus of management systems from inputs and processes to outputs and outcomes (Pollitt 2001).

#### **4.3 Internal control**

The third principle relates to the creation of internal and external public sector audits (Hood 1991, 1995, Guthrie, Olson, and Humphrey 1998, Pollitt 2001). In order to hold politicians and managers accountable for their results, adequate internal control systems are necessary to monitor their activities and to review the efficiency and effectiveness of the delivered services (Guthrie, Olson, and Humphrey 1998, Gruening 1998). Stressing results rather than procedures, making clear statements regarding goals and taking a hard look at the objectives, all underlay these new internal control systems.

#### **4.4 Municipal management team**

The municipal management team represents the establishment of a management culture that emphasizes private sector styles of administrative practice (Hood 1991, 1995, Diefenbach 2009). Accordingly, management is treated as a separate and distinct organizational function, necessitating the creation of new managerial posts (Diefenbach 2009). This is all part of NPM's promotion of commercially minded, market-oriented management practices in which managers are given both the space and authority to carry out their work (Guthrie, Olson, and Humphrey 1998, Gruening 1998).

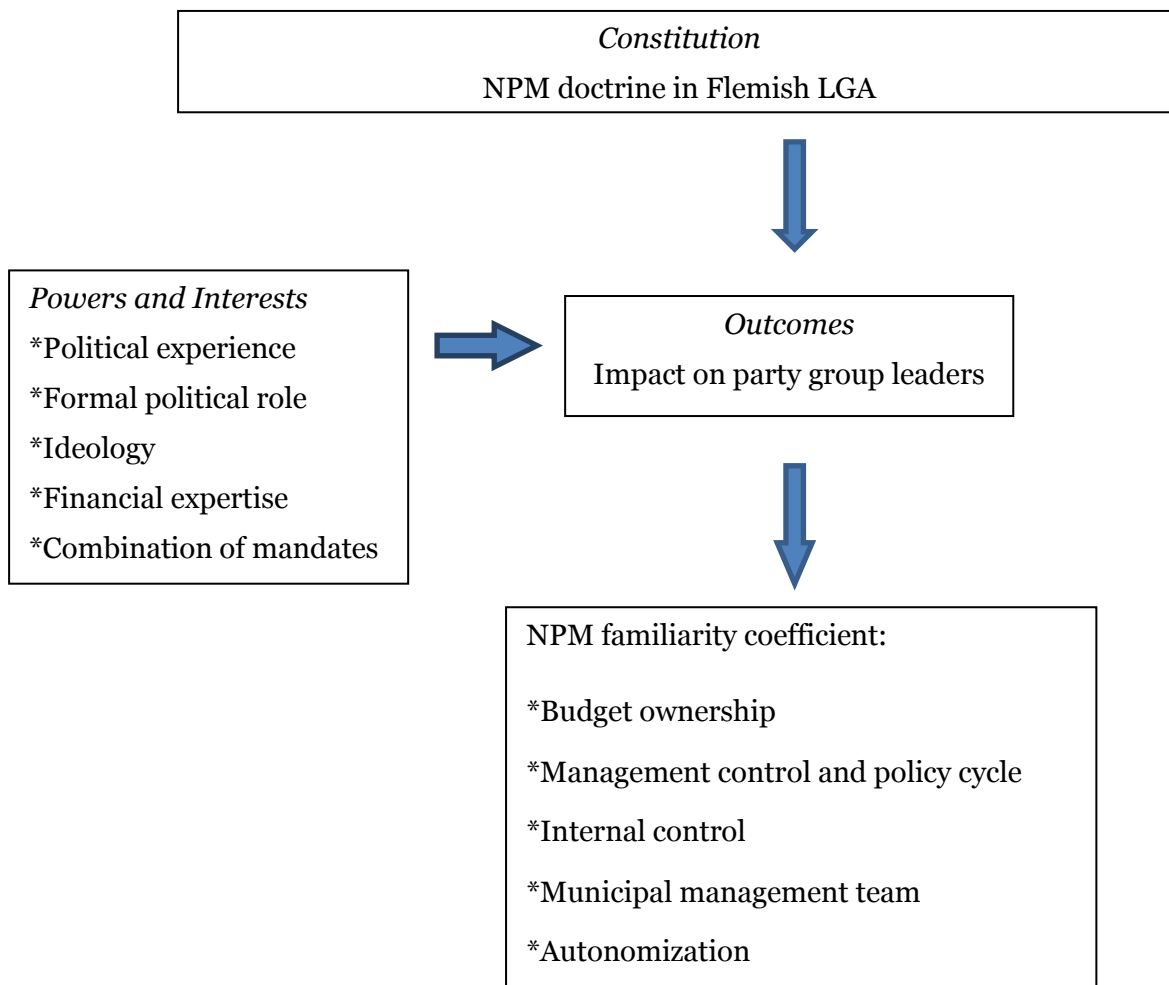
#### **4.5 Autonomization**

The fifth principle refers to the NPM preference for more specialized, 'lean', 'flat' and autonomous organizational forms rather than large, multi-purpose, hierarchical bureaucracies (Pollitt 2001). Autonomization is typified by the creation of distinct, quasi-autonomous departments centered on the delivery of specific products or services, which, when applied to the public sector, disaggregates massive government organizations into separate units (Hood 1991, 1995, Gruening 1998). This decentralization into distinct, autonomous municipal entities is supposed to lessen hierarchy by creating more flexible structures and generating faster decision-making (Gruening 1998).

### **5. Individual factors at play**

To identify relevant individual characteristics, we applied March and Olson's (1984, 2006) framework of 'constitutions', 'interests' and 'powers', alongside the results of previous specific NPM related studies and political research. Within the context of our study, the constitution is largely normative, homogeneous and constant, as determined by the Flemish LGA, which leaves 'interests' and 'powers' to be accounted for. Individuals are empowered and constrained in different ways by various factors, which, in theory, should make them more or less likely to incorporate NPM principles and tools. We've chosen to focus on five factors, the influence of which is heavily debated in the literature: experience, formal political role, ideology, financial expertise, and combination of political mandates. *Figure 1* illustrates how these neo-institutional principles are incorporated into our research design.

Figure 1: Research design



The effect of our first factor, political experience, on NPM familiarization is disputed. Some argue that highly experienced politicians are better able to interpret data and make use of new instruments because they find it easier to grasp novel information (Askim 2009). Seasoned politicians also tend to focus on their supervisory and policy making roles, and it is generally expected that they will make more comprehensive use of NPM instruments in carrying out these tasks (Reynaert, Steyvers, and Verhelst 2010). However, an established politician could see such innovations as a threat to his hard-won position (Steyvers, Reynaert, and Block 2010). Melkers and Willoughby (2005), as well as Askim (2009), found that when it came to the collection and application of performance information, use actually decreased with experience. In other words, political novices were more receptive to modernization than the veterans. De Groot et al. (2010) confirm this apparent contradiction: the less experienced are more open-minded, while the long serving rely on routine. As Askim (2009) has done, we've used age here as a control in order to ensure that any results actually derive from political, rather than general, experience.

A subject's *formal political role* is the second factor that may influence NPM receptivity. Membership in the majority or opposition affects council function and political identity; however, it is still unclear which group is favored here. Majority group leaders have more access to inside information because they are better connected at the executive level (Ezzamel et al. 2005, Askim 2009). Their close proximity to the mayor and aldermen could make them more informed regarding NPM related managerial principles. However, majority group leaders tend to focus more on policy-making, and its defense, and less on control – which is mainly the task of the opposition (Verhelst, Reynaert, and Steyvers 2011). It could also be that as a result of party discipline, majority group leaders will be less inclined to be critical. According to this line of reasoning, their opposites should have greater familiarity with NPM concepts because they are more focused on controlling the efficient and effective organization of the municipality. Indeed, the first comprehensive evaluation of the Flemish LGA revealed significant differences between the two sides, with opposition members making more use of new instruments (Olislagers, Ackaert, and De Rynck 2009).

The third controversial factor is *ideology*. Traditionally, left-wing parties are associated with bigger government and a less business-like attitude, as opposed to right-wing parties that advocate for greater economic efficiency and smaller government. However, early on in the movement, Hood (1991) rejected ideology as an explanation for macro-level reforms, and a meta-analysis of this factor's role in privatization, an NPM principle, has provided little evidence that right-wing governments are the driving force behind such policies (Bel, Hebdon, and Warner 2007). Nevertheless, the impact of ideology on local councilors is more uncertain. European parties recruit candidates from their social layers; for example, civil servants are more common among the leftist social-democrats, while the self-employed and those with business backgrounds are more prominent on the right (Reynaert 2012). However, it is not always the case that individual councilors, particularly on the left, are entirely committed to their party's ideology (Verhelst and Kerrouche 2012, Steyvers and Verhelst 2012b). What we wish to discover is whether a link can be made with the right's tendency to attract business-oriented professionals and greater familiarity with NPM on the part of these councilors.

Our fourth variable tests whether the *professional use of financial information* has a positive effect on NPM familiarity. According to the movement's quantitatively driven measurement logic, politicians should be able to competently interpret financial information and either challenge it or act accordingly (Guthrie, Olson, and Humphrey 1999). The regular usage of financial information in a professional setting may also suggest that these subjects have a more business-like attitude and a certain predisposition towards the use of management and

monitoring instruments, and we therefore expect to find that it does have an impact on familiarity with NPM principles.

We further postulate that a *combination of different political mandates*, our fifth factor, may enhance our subjects' familiarity with NPM concepts. Candidates are standing for election more often and they increasingly hold more than one political position at the same time (Weekers et al. 2007). This *cumul des mandats* entails some advantages: politicians with concurrent mandates may be better informed due to their broader network and – it is assumed – better able to interpret unfamiliar information or work with new instruments (Askim 2008, 2009). Furthermore, because other governmental levels are also subject to NPM style reforms, they might already have firsthand knowledge of the relevant tools; although, this could also have a negative effect if these politicians are confronted by either a failure in NPM instruments, or a lack of interest in reforms. Furthermore, while this study explicitly focuses on non-executives, we have included majority group leaders who combine their council position with a local executive mandate either as a mayor or an alderman because of their leadership role and the relevancy of their political network to our analysis<sup>4</sup>.

In addition, other variables have been taken into consideration under the broad heading of career development factors. Firstly, the gap between males and females in terms of political engagement is well established in the literature, but *gender* may also affect how people relate to politics in general. According to Hofstede (1998), masculinity is associated with ego and goal centeredness, performance, competitiveness, efficiency, an emphasis on visible achievements and material success. Femininity is associated with social goals, consensus seeking, an emphasis on equality, negotiation, social interaction and consensus building (Hofstede 1998, Fox and Schuhmann 1999). Although these findings concern national cultures while our study focuses on individuals, they do suggest that men should be more in favor of NPM than women. At the local level, Steyvers and Verhelst (2012b) found male councilors to be less engaged with “outward looking tasks”, while Steyvers et al. (2010) argue that female city managers are more open to modernization and innovation as a result of their preference for communal decision-making. Thus it is not clear whether gender could have an impact on an individual's internalization of NPM tools and principles.

Secondly, existing research also differs regarding the role played by education (Askim 2009). People with advanced degrees and training are supposed to handle formal, numerical or technical information more easily, and *economic education* stimulates financial, analytical and strategic skills, which are very relevant to NPM internalization. Party group leaders with a formal background in economics may be better able to recognize the advantages of business-like instruments and tools, and thus be more likely to use them. Reynaert et al. (2010) found that highly educated councilors focused more on policy and control – aspects

associated with NPM. This was confirmed in the preliminary evaluation of the Flemish LGA conducted by Olislagers et al. (2009); those with more education used significantly more of the new instruments. However, Askim (2009) found that the highest educated were the least inclined to use performance information. It is possible that those with an economic education geared towards the private sector could then become disillusioned by the poor application of NPM principles within the public sector, making them less inclined to use its associated instruments while in office. It is simply not clear at this point what impact, if any, education may have on either implementation or familiarity.

Thirdly, *profession* could have a part to play here as well. Self-employed individuals have, at least in theory, more business-like attitudes and approaches to handling problems, possibly making them more inclined towards NPM, along with other types of professionals – bankers and CEO's, for example. Furthermore, party group leaders who essentially work full time as politicians, with cabinet positions or a combination of mandates, are generally expected to be more in favor of the prevailing governmental reforms and thus more knowledgeable of the NPM concepts upon which they are based. Furthermore, as discussed above, there is a link between ideology and profession, in that right-wing parties do recruit candidates from more economically oriented environments (Reynaert 2012).

Finally, we've also included an organizational dimension. Party group leaders' familiarity coefficient could also depend on the institutional context in which they work. *Polity size* seems a good indicator of an array of structural characteristics (Askim 2009, Steyvers and Verhelst 2012b). A larger municipality implies more service users, more activities, more employees, more professionalization in the recruitment of councilors and possibly more interest in NPM implementation (Reynaert 2012). Certainly, the smaller the polity, the lower the average use of NPM instruments (helden and Jansen 2003). Table 1 in the appendix provides an overview of all the factors included in our analysis.

## 6. Flemish municipalities

The Flemish context is particularly conducive for studying party group leaders' familiarity with NPM. In 2002, authority over local entities was regionalized, and as a consequence the Flemish region now has its own LGA. The Flemish 2006 LGA (or *Gemeentedecreet*) is the most innovative one. The reform introduced new policy instruments with regards to financial management, control, audit, human resources and result oriented policy planning and evaluation (Windels and Christiaens 2006). In that sense, the LGA propagates NPM's tenet that politicians should act in a logical and rational fashion. Furthermore, because most of the changes are mandatory, the context for local council party group leaders is largely homogeneous. Flemish municipalities share common political and institutional systems,

employ similar budgetary processes and have identical electoral rules. However, while the formal requirements for most new instruments are equivalent in every municipality, this does not mean that their actual implementation will be identical for each party group leader.

The Flemish region counts 7.464 local councilors divided across 308 municipalities. The municipal council has a threefold structure with an advisory board, an executive board and a mayor, and has between 7 and 55 members. While most Flemish councilors have day jobs and are only involved in politics part-time, multiple office holding is a frequent occurrence<sup>5</sup>.

## **7. Data collection**

### **7.1 Instrument**

In order to measure party group leaders' familiarity with the aforementioned instruments and principles attributed to NPM, they were presented with a brief, online questionnaire. Respondents were asked to rate their familiarity with these concepts using a five-point scale varying from one (not very familiar) to five (quite familiar)<sup>6</sup>. The questions were formulated as follows: 'to what extent are you familiar with the principle of (e.g.,) budget ownership in cities and municipalities?' In addition, biographical data about the individual factors under consideration was collected from each respondent.

Many researchers have written about the trade-off between response rates and the number of questions asked (Julnes and Holzer 2002). Although this meant that not every dimension of NPM familiarity among our subject pool could be explored, we opted for single-item measurement, thereby minimizing non-responses. Nevertheless, the data collected sufficiently represent the factors identified in the literature. Still, one of the main limitations of survey research remains the self-reported nature of the information (Ter Bogt 2004, Askim 2007, 2009). Various precautions were taken to enhance the data's validity. For instance, queries were clearly formulated and referred to identifiable and applied concepts. Furthermore, in order to avoid any possible confusion in the questionnaire, the questions were pretested with field experts and councilors not participating in the study.

### **7.2 Sample**

We selected 123 councils by stratified random sampling in order to cover the width and breadth of Flanders.<sup>7</sup> Between December 2011 and February 2012 all party group leaders (N 539) in those councils were contacted. After one round of follow-up, we obtained 363 complete responses, giving us a response rate of 68%, with a mean of 2.95 party group leaders per council. We did not detect traces of self-selection or non-response bias in our sample – there were no significant differences found between late and early respondents<sup>8</sup>



They all fit the so-called ‘3M’ profile of councilors: male, middle-aged and middle class (Reynaert 2012). Our average subject was approximately 50 years old, and a two-term councilor. Respondents came from a variety of parties and majority and opposition were almost equally represented.

## 8. Results

### 8.1 Party group leaders’ NPM familiarity coefficient

Our *NPM familiarity coefficient* is comprised of party group leaders’ ratings of their familiarization with the aforementioned five concepts. Each item in the coefficient was given equal weight because there is no documentation indicating that any has more effect than another. Furthermore, although they measure quite different concepts, statistical testing using principal component analysis shows that no item should be eliminated, and together they explain 52,6% of the variance<sup>9</sup>. Finally, our coefficient has a Cronbach’s alpha value of 0.77, which demonstrates its internal consistency. We therefore have firm evidence that all five concepts can be combined into one coefficient without differentiation.

Table 4 in the appendix presents the details of our subjects’ responses for each component, which did not differ significantly across the political spectrum<sup>10</sup>. On average, party group leaders of all stripes tended to evaluate their general knowledge of NPM as ‘neither good nor bad’ (value three). At the same time, all five concepts were assessed differently, with party group leaders indicating more familiarity with the high profile, general management principles, than the rather opaque financial management instruments.

In fact, only the difference between autonomization and management team concepts was non-significant<sup>11</sup>. These findings are somewhat less optimistic than those from the first evaluation of the LGA in Flanders, in which 62% of the councilors said they attached ‘a lot’ or ‘a great deal’ of importance to the report by the municipal secretary regarding internal controls. The same held true for budget ownership, to which the 56% of the subjects attached ‘a lot’ or a ‘great deal’ of importance (Oliislagers, Ackaert, and De Rynck 2009). However, as discussed above, that study did not address party group leaders in particular and was conducted shortly after the LGA’s establishment.

### 8.2 The impact of individual factors

Given the normal distribution of the index, OLS regression is applied to consider the effect of all variables under study together<sup>12</sup>. The results can be found in *Table 2*, which contains the standardized regression coefficients and their associated level of significance<sup>13</sup>. None of the independent variables under study poses problems of multicollinearity. Finally, the overall



explanatory value of the model is expressed by  $R^2$ . Descriptive statistics for all variables are presented in Table 3 in the appendix.

*Table 2: Regression results*

Dependent variable: NPM Familiarity coefficient N= 297	
Anova (F. 2.27, p. 0.014)	
$R^2 = 0.074$ Adj. $R^2 = 0.041$	
Experience	0.114* (1.714)
Formal political role	0.123** (2.074)
Ideology	0.039 (0.641)
Financial expertise	0.144** (2.424)
Combination mandates	0.119** (2.019)
Economic education	0.021 (0.349)
Gender	-0.034 (-0.563)
Profession	-0.052 (-0.859)
Age	-0.023 (-0.331)
Polity Size	0.007 (0.119)
T values OLS in parentheses * 10%, **5% significance	
Maximum VIF: 1.44, Spearman Correlations: max. 0.24 between financial expertise and economic education, and 0.42 between age and experience.	
Because of the very limited correlations and associations between the independent variables, no interactions were integrated into the model.	

As shown in Table 2, our analysis reveals that experience has a clear and positive influence on our subjects' familiarity with NPM. The longer party group leaders are members of the council, the more knowledge they come to have of NPM concepts. This confirms the thesis that experience facilitates assimilation of new management principles; demonstrating that political activities such as working in the council and frequently attending its' meetings provides party group leaders with the opportunity to familiarize themselves with these new concepts. Their experience allows them to compare old instruments with new NPM-style tools and to recognize the latter's advantage. Furthermore, by measuring age we were also able to isolate political experience from general experience.

As expected, formal political position also has a determinative effect on our subjects' familiarity with NPM. Majority leaders in Flemish municipal councils have a significantly better grasp of the concepts under consideration than do opposition leaders. This finding indirectly supports Askim's (2009) thesis that executive politicians use NPM driven performance information more than backbenchers. In the context of our study, it implies that majority leaders have a structural advantage over opposition leaders; namely, the supremacy of the executive college, which indirectly empowers them (Reynaert, Steyvers, and Verhelst 2010). Connections at the top allow them to gain inside information and become more involved with the NPM style initiatives to achieve more efficient and effective service delivery in the municipality. Finally, the majority's focus on policy making may contribute to their particular interest in instruments and tools for modern local management.

The hypothesis that financial expertise would enhance NPM familiarity has also proven well founded. Party group leaders who handle financial information in their professions are better positioned to absorb information on business-like concepts and this facilitates their acceptance of managerial instruments and tools. However, we must exercise caution in interpreting these results: the survey registered the use of *any* type of financial information, without focusing on specific accounting or financial management tools related to NPM – meaning that our definition of expertise in this instance is perhaps too broad.

As expected, party group leaders who combine their local mandate with other political functions also have more familiarity with the business-like concepts and tools used in Flemish municipalities, likely because of the increased chance that they can pick up information on NPM concepts through their positions in other assemblies. Furthermore, they are better able to devote themselves completely to their political work, which may make them more professionally involved in managing governmental institutions.

Ideology was the only primary variable that had no apparent impact – this is relevant because the effect that this factor could have on NPM implementation has been debated from the very start of the reform movement (Hood 1991). Our results show that ideology is not significant; there was no measurable difference between left and right wing party group leaders in terms of their responses or NPM familiarity coefficients.

As regards the other career development variables, other researchers have already made arguments casting doubt on the impact of education. However, the lack of significant results in our study could also be explained by the measurement of this factor. Respondents were only asked if they received any kind of formal instruction in economics, without specifying the educational level. This means that everything from secondary school and practical

workshops to advanced academic degrees was included in the analysis. A more targeted approach may have delivered other results.

Concerning professional activities, gender and polity size, there were no noticeable effects. While financial expertise has a positive impact on party group leaders' knowledge of NPM, it seems that the actual job content, and not the profession itself, are decisive in this context. Gender, heavily debated in the literature, had no impact whatsoever. Our results show no significant difference between male and female party group leaders. Nor did the only organizational variable, polity size measured by population, have any significant impact on subjects' NPM familiarity.

Finally, we must stipulate that while our analysis explains some variance in party group leaders' familiarity with NPM concepts, much remains to be accounted for. The explanatory value of these individual characteristics is low overall, but our decision not to attempt to explain as much variation as possible could be considered a sensible limitation, rather than a shortcoming. Our aim was to assess the impact of a few specific, factors that have been debated in the literature - not to uncover all of the possible determinants of party group leaders' NPM familiarity. Comparable  $R^2$  values are found in similar survey based research; it merely adds to the evidence that other formal, regulatory and constitutive factors play a greater part (see e.g., Steyvers and Verhelst (2012b)). Other explanations could be the limited variability in the dependent variable, which only had values ranging between 5 and 25, and the fact that we studied a group of party group leaders who achieved a certain position through what could be considered a homogenizing process. So the difference in their NPM familiarity might not be very pronounced <sup>14</sup>. Elements (outside the scope of this study) that could increase the explained variance can be found in the administrative and organizational processes (documentation from civil servants to politicians), the professionalization of supporting staff and the training provided by the political parties.

## **9. Conclusion and discussion**

This study stressed the importance of individuals in modernization by focusing on party group leaders, an undervalued but very prominent group among non-executive local politicians. Our new NPM familiarity coefficient indicates very moderate familiarization on the part of our subjects, which corroborates the rather jaundiced findings from other research into politicians' use of specific NPM related instruments (Ter Bogt 2004, Tiili 2007). However, party group leaders are significantly more familiar with the distinctly external managerial principles, probably as a result of their visibility.

A possible explanation for this rather disappointing outcome could be that, even though these NPM based changes were put in place five years ago, it may require a lengthier amount of time for party group leaders to recognize the concepts' usefulness and internalize them. However, this is not terribly plausible in light of other research. A longitudinal analysis concerning the establishment of NPM associated accounting reforms in municipalities conducted by Christiaens and Van Peteghem (2007) showed no evidence of a significant increase in learning over time; to the contrary, after nearly five years, there were recurrent problems in implementing the reforms.

No, the key issue remains whether party group leaders are intrinsically motivated to become familiar with NPM principles – not whether they have sufficient time in which to do so. Yet the gap between NPM-like thinking and political logic seems too large to overcome and we must ask ourselves whether politicians can truly incorporate the NPM-style into their work. Politicians represent the plurality of opinions and interests in society (Hansen 2001). Once in office, their role is to consider issues from different points of view, compromise between conflicting interests and judge what is most reasonable and appropriate in a given situation (Hansen 2001, Tiili 2007) – which is not necessarily what is efficient or economical. Moreover, NPM strongly advocates for setting goals, which explains why it does not easily mesh with politics, which begins not with targets, but with tangible issues (Tiili 2007). Fundamentally, NPM reforms do not just present politicians with a new collection of tools and instruments. Rather, their adoption requires both a shift in values and a change in perspectives, which cannot be achieved overnight.

Moreover, reforms quite often lead to an enlarged workload and there is evidence that increasingly challenging working conditions are elevating stress levels (Gruening 1998). It may be too much to demand that party group leaders, who already combine their political work with other professional activities, thoroughly familiarize themselves with NPM. Some authors have even questioned whether less knowledge in this area is, in fact, problematic at all from the point of view of either politicians or voters. As Pollitt (2001) suggests, a limited affinity for NPM's principles, could better enable party group leaders to pursue their political goals, as well as help them to cope with conflicting demands from their constituents.

Despite the prevailing skepticism regarding local politicians' adoption of NPM principles, our research makes it clear that some individual factors do aid some party group leaders in gaining more familiarity with these concepts than others. The balance of power is of overriding importance: those politicians in the majority are more familiar with NPM; yet another demonstration of how the executive branch dominates 'ordinary' council members. Multiple mandates, which give councilors even more opportunities to familiarize themselves with reforms, also help. Additionally, certain party group leaders are in a better position to

benefit from this knowledge because they have the advantage of greater experience with financial information, either through professional or political use. Generally, politicians have limited economic training, which could encourage some party group leaders to use their expertise to strengthen their council position. A firm grasp of NPM, particularly where reforms have already been legislated for, would be an additional asset in terms of personal ambition.

Furthermore, our findings corroborate results from other studies showing that there is very little evidence to suggest that NPM either coalesced or caught on in any particular ideological context (Hood 1995, Guthrie, Olson, and Humphrey 1998). Rather, the transmission of these concepts appears to have been the result of a more general process of policy diffusion – and not the consequence of changes in the political landscape (Hood 1995). Certainly, the predominance of coalition governments in many Flemish municipalities means that the strong divergence between left and right observed elsewhere is probably less clear-cut and of more minor relevance here (Goeminne, Geys, and Smolders 2008).

Finally, a word of caution: these results should, just as with other findings, be interpreted with care. This study is based solely on the self-reported assessments of a specific group of councilors, and although some of party group leaders' personal factors did prove relevant, their overall influence was limited. We need to further improve our understanding of the processes that translate institutional NPM reform into political behavior. For example, (meso) organizational-level factors could play an important role in this context (March and Olsen 2006).

Nevertheless, our findings are relevant - not just for theoretical reasons, but also for the future of NPM reforms in local government. Information campaigns could be better targeted, focusing on those groups where additional efforts seem necessary to increase their familiarity with, and trust in, the fundamentals of modernization. The research presented here indicates that opposition leaders and less experienced municipal councilors would benefit from such an approach. Without improving politicians' knowledge of NPM principles and instruments, there can be no genuine expectation that government reforms will be implemented properly, regardless of how much legislation is passed.

## 10. Appendix

Table 1: Model variables

DEPENDENT VARIABLE: NPM_ Familiarity coefficient			
INDEPENDENT VARIABLES/Key components			
Variable	References	Measure	Source
Formal political role	Ezzamel et al. (2005) Olislagers et al. (2009) Askim (2009) Verhelst et al. (2011)	Dummy for opposition (o) or majority (1)	Flemish Home Office, database local mandates (2012)
Ideology	Hood (1995), Devos et al. (2006), Bel et al. (2007), Reynaert (2012), Verhelst and Kerrouche, (2012), Steyvers and Verhelst (2012b)	Positions of political parties on a left-right scale with 0 representing extreme left and 10 representing extreme right, from politicians' viewpoints  Ecologists = 2.40, Socialists = 3.35, Nationalists = 7.05, Christian Democrats = 5.78, Liberals = 6.49, Extreme Right = 9.19	Devos et al. (2006)
Financial expertise	Alijarde (1997) Guthrie, et al. (1999)	Dummy for professional use of financial information (1) vs. not (0)	Survey council party group leaders
Combination of political mandates	Weekers et al. (2007) Askim (2008, 2009)	Dummy for combination of international, national, regional, provincial or local executive (mayor or aldermen) political mandate (1) vs. only local political mandate (0)	Belgian Bulletin of Acts, Orders and Decrees (12 August 2011)
ADDITIONAL VARIABLES (career development-			
Gender	Hofstede (1998), Fox and Schuhmann (1999), Steyvers et al. (2010), Steyvers and Verhelst (2012b)	Dummy for male (o) or female (1)	Survey council party group leaders
Economic education	Olislagers et al. (2009), Askim (2009), Reynaert et al. (2010)	Dummy for economic education (economics, applied economics, commercial school, tax, banking, marketing, commercial science, management or insurance, ... at all levels) (1) vs. not (0)	Survey council party group leaders
Profession	Reynaert (2012)	Dummy for full time politician, self-employed and cabinet employees (1) vs. other (civil servants, teachers, non actives, laborers, office workers) (0)	Survey council party group leaders
Age	Askim (2009)	Age	Survey council party group leaders
Polity Size	(Askim 2009, Steyvers and Verhelst 2012b)	Population in municipality (2011)	Belgian Federal Public Service Economy 2011

Table 3: Descriptive statistics of all variables in the model

Dependent variable:	Min.	Max.	Mean	Std. Dev.	
NPM_ Familiarity coefficient	5	25	15.01	3.78	
Experience	0.1	41	12.00	8.13	
Ideology	2.4	9.19	5.76	2.06	
Polity Size	2133	116741	19967.06	15403.12	
Age	27	78	50.76	10.97	
Formal Pol. Role	opposition	55.5%	Ec. Education	no	76.9%
	majority	44.2%		yes	22.8%
Fin. Expertise	no	40.5%	Profession	yes	29.2%
	yes	59.5%		no	70.8%
Combination Mandates	no	89.6%	Gender	male	75.3%
	yes	10.4%		female	24.5%

Table 4: Mean scores of the NPM Familiarity Coefficient's five components

	Min.	Max.	Mean	Std. Dev.
Municipal management team	1	5	3.28	1.031
Internal control	1	5	2.82	1.045
Management control and policy cycle	1	5	2.66	1.025
Budget ownership	1	5	2.98	1.033
Autonomization	1	5	3.25	1.055

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## 12. End notes

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<sup>1</sup> Vlaamse Regering, Ontwerp van Memorie van Toelichting bij het ontwerp van Gemeentedecreet, 25/05/2005.

<sup>2</sup> The first is budget ownership (art. 158 Flemish LGA); the second, internal control (art. 99 Flemish LGA); the third, management team (art. 95 Flemish LGA); the fourth, management control and policy cycle (title IV Flemish LGA and Decision of the Flemish Government of 25 June 2010); and the fifth, autonomization (art. 231-245 Flemish LGA).

<sup>3</sup> The BBC is being introduced in all Flemish municipalities between 2011 and 2014, and although it has not yet been implemented everywhere, there have been many pilot municipalities and numerous information sessions.

<sup>4</sup> In this study, the combination of mandates at the local level has been limited to mayoral and aldermen's positions. All of the other local mandates often held by faction leaders in Flanders in autonomous municipal organizations, including welfare centers, the fire brigade, inter-municipal housing companies or the police force, have been excluded.

<sup>5</sup> 107 out of the 124 members of the Flemish regional parliament had a local mandate - half as municipal councilors (Weekers et al., 2007).

<sup>6</sup> One = not very familiar, two = a little familiar, three = neutral, neither a little nor very familiar, four = very familiar, five = quite familiar. They could also indicate that they did not know, or did not wish to answer.

<sup>7</sup> Stratification was based on "Dexia clustering", which takes into account some 150 socio-economic variables. This is the most frequently used method for clustering Flemish municipalities in academic research (e.g., (Goeminne and Smolders 2010))

<sup>8</sup> No difference between the non-respondents and the late respondents (T 0.7, p.0.47)(Armstrong and Overton 1977).

<sup>9</sup> Extraction Method: Principal Component Analysis: (1 component: management team: 0.76, internal control: 0.80, management control: 0.71, budget ownership: 0.76, autonomization: 0.55)

<sup>10</sup> (Anova, F. 0.73, p. 0.66)

<sup>11</sup> (T 0.4, p 0.68)

<sup>12</sup> According to the Shapiro-Wilk test of normality (0.99; p. 0.022) we can accept the null hypothesis of normal distribution at 1% significance level. Graphic representation in histogram, boxplot and QQ plots support this assumption.

<sup>13</sup> Stepwise regression was performed as an additional analytical refinement, and reveals the same significant variables, with combination of mandates and financial expertise as predictors (adj. R<sup>2</sup> 0.04)

<sup>14</sup> Logistic regression was performed as alternative, in order to obtain a higher R<sup>2</sup> value, however the model proved inappropriate (Chi<sup>2</sup> 15.24, p. 0.12).





# STUDY 2: TALKING NUMBERS? ANALYZING THE PRESENCE OF FINANCIAL INFORMATION IN COUNCILORS' SPEECH DURING THE BUDGET DEBATE IN FLEMISH MUNICIPAL COUNCILS.

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## **Abstract**

This paper provides new empirical evidence about Flemish municipal councilors' use of financial information in the yearly budget debate. Since councilors generally do not handle information according to 'standard use models', we adopt an innovative method of data collection by scrutinizing their speech during the budget debate in Flemish municipalities for the presence of financial information. The incorporation of financial information in councilors' contributions to the debate is conceptualized as a particular form of observable use of financial information. We quantitatively assess the presence of both budgetary and accrual financial information using a scoring technique taken from the management accounting literature. Additionally, we analyze whether various political and financial circumstances affect politicians' mentioning of this information in their deliberations. Our results reveal a strong prevalence of budgetary information in councilors' speech. This is influenced by both political conditions and the financial position of the municipality.

**Key words:** Financial information use, councilors, budget, speech.

## 1. Introduction

Operational financial information traditionally has two uses: decision influencing and decision facilitating (Demski and Feltham 1976). This is linked to the idea that providing politicians with high-quality financial information can help them make better decisions in terms of, *inter alia*, setting political priorities, linking resources to performance targets and controlling and monitoring governmental activities (Lapsley 1999, Askim 2007, Beckett-Camarata 2009, Yetano 2009, Carvalho, Gomes, and José Fernandes 2012, Ter Bogt, van Helden, and Van der Kolk forthcoming). Consequently, providing high-quality financial information has been an element in budget reforms for decades (Ho 2011). While it is considered a prerequisite that politicians apply the provided financial information for decision-making (see e.g., Guthrie, Olson, and Humphrey (1999), Curristine (2005), Windels and Christiaens (2006)), many studies, particularly in the domain of performance information, have shown that politicians do not apply information in the same way as decision-makers in other, businesslike contexts (Ter Bogt 2001, Ter Bogt 2004, Moynihan 2006, Nasi and Steccolini 2008, Johansson and Siverbo 2009, Askim 2009, Ter Bogt, van Helden, and Van der Kolk forthcoming).

Moreover, there is little empirical evidence about this atypical use pattern or about the factors that affect politicians' utilization of financial information in practice (Van Helden and Northcott 2010)<sup>1</sup>. While previous studies have discussed various technical and political budgeting aspects (e.g., political budget cycles, reform rhetoric, the introduction of accrual budgeting), the application of specific information in the area of budgeting is often overlooked (Raudla 2012). In the same vein, although the production, adoption and implementation of all types of financial and particularly performance information has received considerable attention in the public sector literature, investigating the actual use of this information for decision-making has always constituted a negligible part of the research agenda (Julnes and Holzer 2002, Raudla 2012, Torres, Pina, and Martí 2012).

Rather than studying performance information as output measure, this study focuses on the input side, that is, the financial information that provides essential data for budgetary decision-making. The available studies on politicians' use of information in the budget cycle have predominantly focused on the executive branch or on budget committees at the national or parliamentary level (Curristine 2005, Demaj and Summermatter 2012). However, alongside the importance assigned to executive and higher political echelons, the smaller scope and more direct nature of local government deserve more attention, not least because local non-executive politicians' application of financial information may be more visible and thus more amenable to scholarship (Melkers and Willoughby 2005). Therefore, this article focuses on non-executive local elected representatives in municipalities. These individuals



are elected members of the local council and operate outside the executive board (the executive board comprises the mayor and the aldermen). In a European context, the elected members of the local council operating outside the executive board are generally called ‘councilors’.

This paper addresses the lack of empirical evidence about councilors’ use of financial information in practice by quantifying the presence of both budgetary and accrual information in their speech during the budget debate held yearly in all Flemish municipal councils. To this end, we draw on studies that consider speech as a form of individual action, that is, studies that understand speech as an utterance and thus as ‘observable’ instances of financial information use (see e.g., Imbeau (2009)). In accordance with the study of Ter Bogt, van Helden, and Van der Kolk (forthcoming) we expect that positive valuation of the information would become visible in the content of councilors’ speech.

The paper is structured as follows: the first section discusses the need for a nuanced attitude towards politicians’ atypical information usage patterns. This is followed by an elaboration of our actor-centered, neo-institutional framework and the political and financial factors under study. The third part contains our data collection, the method used and the results. Finally, conclusions are discussed.

## **2. Politics by numbers?**

Academics and practitioners are generally skeptical about the usefulness and application of specific financial information for political purposes (Askim 2007, Demaj and Summermatter 2012, Raudla 2012)<sup>2</sup>. Many attempts to integrate financial information in political decision-making have either led to disappointment or failure (Ho 2011, Pollitt and Bouckaert 2011). The reasons and motives for this skepticism have been empirically established, mostly by means of using survey and interview data in the area of performance information (see for instance Ter Bogt (2004), Curristine (2005), Melkers and Willoughby (2005), Askim (2009), Johansson and Siverbo (2009), Liguori, Sicilia, and Steccolini (2012)). Based on various studies in the domain of budgeting and use of performance information we criticize this common position and advance some arguments for a more nuanced attitude, particularly regarding usage of financial information in practice.

Firstly, the supply of financial information presupposes a technocratic and managerial rationality, whereas in practice budgeting follows a political rationality rather than anything else (Ter Bogt, van Helden, and Van der Kolk forthcoming). The budget forms the basis for political negotiations and translates political goals into appropriations of financial resources (Liguori, Sicilia, and Steccolini 2012). This means that budgeting is by nature highly political

and that decisions result from political and ideological considerations rather than from considerations of financial performance (Raudla 2012). Political rationality, as opposed to economic and technocratic rationality, seems to be the key issue in this regard. Moreover, politicians are often negatively predisposed to financial information due to factors such as the complexity of local policymaking, legal constraints, a misfit between strategic planning and budgeting, an unclear role distinction between politicians and administrators, and the short-term horizon of many politicians (Hansen 2001, Schedler 2003, Ter Bogt 2004, Steyvers et al. 2006, Ho 2006, van Dooren and Van de Walle 2008, van Dooren, Bouckaert, and Halligan 2010, Pollitt and Bouckaert 2011).

Secondly, specific information is often too quickly regarded as not relevant or not used because researchers apply a classic or overly rigid definition of use, somehow neglecting the decision influence and facilitating role of financial information in public debate (van Dooren, Bouckaert, and Halligan 2010). Politicians' processing of information is generally less formalized and less straightforward than documents suggest. For example, there is evidence that politicians seldom make direct, instrumental use of performance information (Askim 2007). Rare are the cases in which a decision can be traced back to specific information (van Dooren and Van de Walle 2008). Decision outcomes are unlikely to have a systematic relationship with financial information in a way that is easily observable for researchers (Moynihan 2006). Particularly, while information does not directly impact politicians' decisions in some automatic, mechanical way, it often forms the basis for discussions that may afterwards lead to decisions (de Lancer Julnes 2006, Beckett-Camarata 2009). van Dooren, Bouckaert, and Halligan (2010) make a distinction between 'hard' and 'soft' use. Hard use presupposes a tight coupling between information and judgment. Soft use, on the other hand, leaves more room for dialogue and interpretation, which mediate the final decision. It is a form of interpretative use through which information feeds deliberation and discussion.

Concerning the specific interpretative use of information in political discourse, studies on the speech of members in the political sphere identified five main specifications: displaying, concealing, justification (and legitimacy), contestation and correcting discrepancies (Imbeau 2009). During the budget debate, financial information operates as a tool to highlight specific political issues. This corresponds with what Askim and Baldersheim (2012) point out about politicians' application of financial information to activate the political debate, set the political agenda and alleviate informational dissymmetry between the legislative and the executive branch. During budget meetings, politicians aim to improve the quality of discussions and create legitimacy by identifying problems and bringing them up in discussions, thus pointing to differences between intended and actual performance. Other

incentives include media attention, the fact that budget debates are open to the public, and political opportunity. Councilors may see the budget debate as an opportunity for attracting votes, for instance (Carvalho, Gomes, and José Fernandes 2012).

In sum, there have been distinctive ‘negative’ and more nuanced findings concerning councilors’ use of specific information (mostly performance information). Although this is not entirely unexpected, the question remains whether this also applies to more ‘input-like’ financial information. Thus far, most findings (including findings related to performance information) have drawn on provoked or indirect data, which does not directly reveal politicians’ practice. Given the assumption that financial information is used when provided, we will focus particularly on councilors’ actual practice (Demaj and Summermatter 2012).

### 3. Theoretical framework

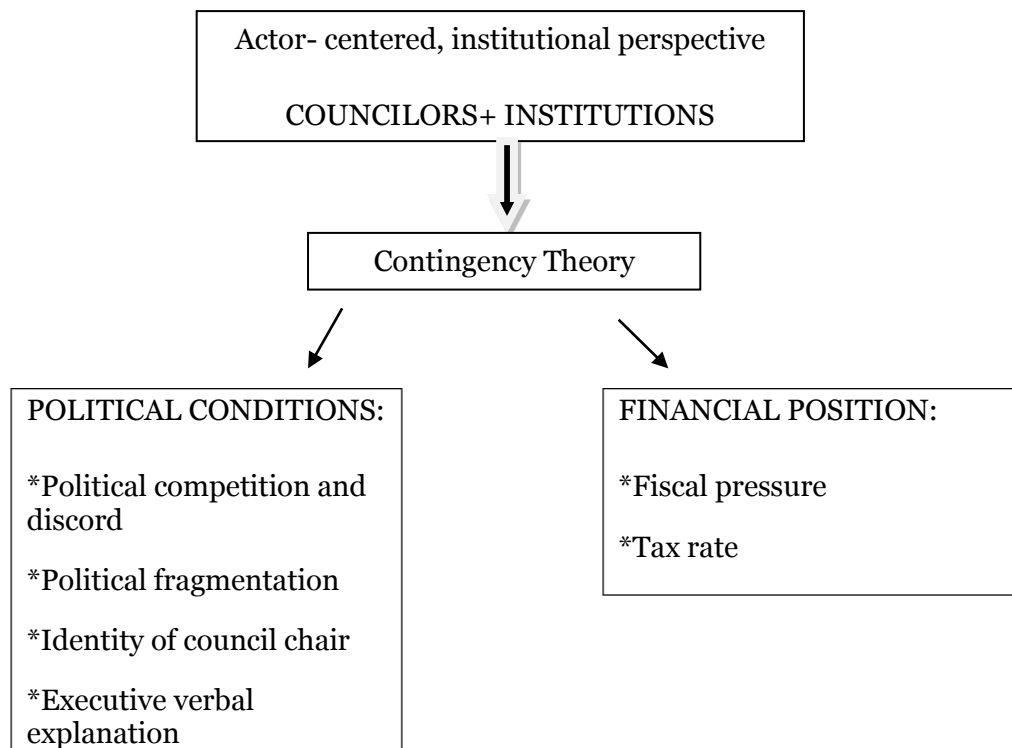
Our aim is to study councilors’ speech as an expression of their use of financial information within the institutional context of budget discussions. As some scholars have already noted, ‘information is not innocent’, that is, information selection and use occur within the context of different beliefs, motives and preferences and thus will simultaneously reflect and be affected by organizational conditions (Moynihan 2006).

How do we combine our councilors’ behavior and preferences within the context of their municipality into a sound theoretical framework? The actor-centered, institutionalist perspective attributes equal weight to individual action and institutions but also stresses the mutual interaction between actors and institutional structures (Scharpf 1997). This means that our subjects are likely to be influenced by certain institutions in their environment (Moynihan 2006, Carmeli 2006, Carvalho, Gomes, and José Fernandes 2012). For our purposes, this implies that in addition to quantifying the presence of budgetary and accrual financial information, this article examines which (local) conditions could affect councilors’ motives and preferences for using financial information in their speech.

In the actor-centered, institutional perspective, no theoretically defined set of variables is systematized and operationalized to serve as explanatory variables in empirical research (Scharpf 1997). As a consequence, to identify the influencing conditions in politicians’ environment we rely on studies about related accounting innovations, e.g., the use of cost information, financial transparency and performance information. These mostly combine a contingency and institutionalist approach and identify political and economic conditions as most powerful for explaining politicians’ use of certain information, as illustrated in *figure 1* (Vakkuri and Meklin 2003, Giroux and McLelland 2003, Brugue and Valles 2005, Egner and Heinelt 2008, Bastida, Benito, and Guillamón 2009, Krebs and Pelissero 2010, Le Maux,

Rocaboy, and Goodspeed 2011, Caamaño-Alegre et al. 2012, Carvalho, Gomes, and José Fernandes 2012). Although it has been demonstrated that institutional (political, financial) settings are blurred by certain combinations of individual characteristics, accounting for these characteristics falls outside the scope of this study. It is practically impossible to integrate all the personal characteristics that capture the complex notion of councilors' individual preferences regarding financial information. In general, Flemish (European) councilors have very limited financial or accounting knowledge and expertise (Reynaert 2012, Buylen and Christiaens 2014). A recent study by Buylen and Christiaens (2014) demonstrates that individual characteristics do play a role in explaining councilors' familiarity with New Public Management instruments and concepts but that their impact is very limited.<sup>3</sup> Moreover, our subjects will always selectively present financial information in a context that supports their point of view and this is less determined by their own capacities (Moynihan 2006).

*Figure 1: Theoretical framework*



## 4. Political and financial determinants on councilors' application of financial information in their speech during the budget debate

The variables under study have been chosen with the aim of analyzing the impact of some financial or political conditions on politicians' integration of financial information in their speech. Furthermore, we have considered the control variable suggested by the literature.

### 4.1 Political conditions

#### *Political competition and discord*

Political conditions influence the use and application of information (Julnes and Holzer 2002, Caamaño-Alegre et al. 2012). As shown in previous studies on speech, the presence of political extremes in the council generate more comments and discussion (Imbeau 2009). The complexity of the Flemish political context, with its many coalition majorities, cartel lists and local (non-national) parties, prevents us from integrating ideological variables.<sup>4</sup> But ideology is not the only political condition to consider. Another key factor – political competition – influences public spending and the pre-budget deliberation stage. We can assume that it influences the budget discussion as well (Le Maux, Rocaboy, and Goodspeed 2011). Both high and low competition may have an impact on the use of financial information in the debate. On the one hand, budgeting practices will be more transparent in systems marked by high political competition and polarization (Caamaño-Alegre et al. 2012). A competitive political climate may stimulate debate and increase councilors' use of financial information in their contributions to the discussion because numerical and financial information could untangle discussions that have reached a deadlock due to ideological, inter-party or interpersonal struggles (Askim 2008, Caamaño-Alegre et al. 2012). On the other hand, a deliberative political climate characterized by a consensus-seeking atmosphere could also encourage the use of financial information because this situation facilitates fact-oriented discussions (Askim 2008).

#### *Political fragmentation*

Political fragmentation is another key factor that determines financial and budgetary conditions (Le Maux, Rocaboy, and Goodspeed 2011, Bastida, Benito, and Guillamón 2009). In a coalition consisting of different parties, power is spread over more parties. Each party would be likely to wield the highest possible political power, so governing in coalitions tends to be more complicated, as control over policy is heavily dispersed compared with single-party majority groupings. This situation would bring about more discussion and debate between coalition partners than a single-party majority would and may therefore lead to more use of financial information by the councilors.

### ***Identity of council chair***

Furthermore, a particular Flemish political institutional characteristic relates to the person of the council chair. Flemish councils can either appoint a ‘non-executive’ councilor or the mayor (or another aldermen, but this is very exceptional) as chairman. This could influence the content of the budget discussion, as a non-executive councilor chair might show more openness for debate and discussion. A mayor-chair will be inclined to defend the incumbents’ policy and budget proposal thus leaving fewer opportunities for debate and discussion. So a more neutral and impartial councilor chair would be expected to stimulate discussion and be more receptive to deliberation on the executive’s budget proposal (Reynaert, Steyvers, and Verhelst 2010). We expect more financial information in councilors’ speech in councils with a non-executive chair.

### ***Executive verbal explanation***

Finally, we add a factor that may indirectly affect the political situation in the council. As the budget format itself is found to have only limited or marginal effect on budget deliberations (see e.g., Grizzle (1986), Ter Bogt, van Helden, and Van der Kolk (forthcoming)), we argue that verbally presenting the budget at the start of the council’s meeting could encourage councilors to contribute to the discussion referring to financial information. Moreover, research on Dutch aldermen’s use of performance information revealed that they prefer rich, verbal and interpreted information (Ter Bogt 2004). By interpreting and explaining the budget, the executive could show more openness and transparency towards the council, thus stimulating the discussion and indirectly enhancing the presence of financial information in the debate.

## **4.2 Financial position: tax rate and debt**

Motives to refer to financial information during the budget debate can obviously be found in the current financial position of the municipality, as both majority and opposition members might integrate financial information in their arguments to improve or criticize the financial situation of their municipality. The overall economic conditions tend to impact budgetary transparency in general and as we do not apply a theoretical framework with clearly defined variables, we focus on two, ‘high profile’, politically sensitive financial indicators that are managed and controlled by the local government: tax rate and debt rate (Bastida, Benito, and Guillaumon 2009, Caamaño-Alegre et al. 2012, Carvalho, Gomes, and José Fernandes 2012).<sup>5</sup> These local financial parameters could urge councilors to refer to the necessity of expenditure constraints, cutback budgeting, etc. In the occurrence of high debt rate councilors might turn their political priorities towards freezing budgets, and this could entail specific attention for financial information. Consequently, councilors may integrate more financial information related to potential savings and rationalization in their contributions to the discussion

(Johansson and Siverbo 2009). Additionally, when the tax burden is higher, taxpayers might be more critical towards the council, and, in our setting, this possibly leads to more financially-oriented remarks and questions from councilors (Caamaño-Alegre et al. 2012). Both low debt and low tax rates could point in the direction of a comfortable financial position.

Finally, we introduce size as a control variable (Krebs and Pelissero 2010). Size reflects organizational complexity, the local government's information-processing environment, and the magnitude and scope of the information to be handled. In this way, it also influences budgeting practices (Nasi and Steccolini 2008, Bastida, Benito, and Guillamón 2009). The way in which political and financial conditions are concretized into variables is illustrated in Table 4 in the appendix.

## 5. Method

Our methodological approach draws on the scoring technique applied in the management or accounting index and the disclosure index (Christiaens 1999, Windels and Christiaens 2006, Pina, Torres, and Yetano 2009). It can also be considered as a specific form of content analysis on political speech, using words as data, which has already been utilized in political studies (e.g., Laver, Benoit, and Garry (2003), Imbeau (2009) or for measuring New Public Management elements in political rhetoric (e.g., Fattore, Dubois, and Lapenta (2012)). Without employing specialist techniques designed for the deconstruction of texts, we analyze the contributions to budget discussions made by non-executive councilors in order to assess the presence of financial information in these discussions.<sup>6</sup> We manually examined each councilor's contribution. This approach requires expertise in interpreting complex, elaborate and underlying meanings and argumentation in the discussion.<sup>7</sup> The decision to adopt this approach was supported by our understanding that human behavior and, by extension, political discourse cannot be easily coded with general terms. A solely computer-aided analysis would have been inadequate and would have missed vital elements.

The chosen method has evident advantages. Similar to the Interpretive Clustering Approach, it relies on 'naturally occurring' data rather than on, for example, 'provoked' data (Huxham and Hibbert 2011). As Huxham and Hibbert (2011) demonstrated, data derived from action settings are likely to be unique. The method's value lies in its potential to capture what happens when people are acting 'for real'. In our study, budget discussions could enable us to collect information about councilors' apparent, indirect and 'soft' use of financial information. When we consider that the debate evokes 'authentic' behavior, the presence of financial information in councilors' speech would allow us to measure their apparent 'soft'



use of financial information rather precisely.<sup>8</sup> This presents a clear advantage over asking councilors about their intended or perceived use in interviews or surveys. Although the latter approach has been widely adopted, its reliability depends on the respondents' correct understanding and subjective interpretation of the questions (Steyvers et al. 2006). Survey results and even data from interviews must be viewed with caution since they have a clear bias towards desirable use and they do not necessarily inform us about actual behavior (Schiff and Hoffman 1996, Poister and Streib 1999, Raudla 2013). However, while acknowledging the advantages of analyzing councilors' contributions in the budget meetings, we also need to recognize the limitations of this method. In our research setting, we only count a councilor's use of financial information in combination with the type of financial topic he/she addresses. For example, we examine the relative importance of a certain expenditure category or the debt position but not the consequences of interpellations on the final budget.

## **6. Operationalization of financial information**

In order to scrutinize the minutes, we must clearly define what is meant by 'financial information'. Just as Liguori, Sicilia, and Steccolini (2012) did, we included both budgetary (i.e. cash-based) and accrual (i.e. based on accrual accounting) financial information, as evidence shows that they occur together and are used altogether under the heading of financial information. Additionally, we determined if this financial information occurs in the debate without considering the underlying accounting system. The operationalization by Liguori, Sicilia, and Steccolini (2012) of budgetary financial information consists of 8 items (revenues and funding sources; current expenditure by nature; current expenditure by destination; capital expenditure by nature; capital expenditure by destination; level transfers to other local entities; budgetary surplus or deficit; establishment of accounts receivable to be recovered and commitments to be paid). Likewise, accrual accounting includes 6 items that are distinct from budgetary information (liability; receivables; assets; cost of activities; cost of service delivery and depreciation).

## **7. Councilors and budgeting procedures in Flemish municipalities**

Our subjects are elected every six years. As in other European countries, they are mainly male (73%), middle-aged (50 years old on average), highly educated (68% have obtained a university education) and middle-class. Most come from talking and brokerage professions such as teaching, law and the self-employed professions (Reynaert 2012). A large majority is involved in politics on a part-time basis: on average Flemish councilors spend 7.36 hours/week on political activities (preparing council meetings, formulating verbal or written



questions and reading documents). For these activities they receive very limited support, this is particularly the case in smaller councils (Olislagers, Ackaert, and De Rynck 2009).

Concerning relevant personal aspects, there is limited data available on the finance-related professional backgrounds of the individuals studied. Around 20% of the council fraction leaders (a small subgroup of our research subjects) received some sort of previous economic education and 60% claims to have some kind of financial expertise, although their experience is mainly limited to ‘working with numbers’ and few are actually acquainted with budgetary affairs such as management control and budget ownership (Buylens and Christiaens 2014).

The Flemish municipalities themselves could be characterized as being in ‘transition’. Until the mid-1990s, the financial management of Flemish municipalities was, like that of local governments in many other countries, traditionally highly input-oriented, with control based on budgets and administrative procedures. The Flemish case is particularly interesting because, in 1995, the traditional cash accounting system in municipalities was complemented with business-like accrual accounting (Windels and Christiaens 2006). It is therefore possible to study politicians’ use of the two types of information, as the traditional budgetary cash accounting information has been supplemented (but not replaced!) with accrual-based reporting (balance sheet and operating statement) since 1995.<sup>9</sup> The budget procedure is quite homogeneous; each municipality sets up a budget draft in August or September. This draft is then discussed by the College of Mayor and Aldermen (the municipality’s executive board) and the budget proposal that develops from these negotiations is brought to the town council for ratification (Goeminne, Geys, and Smolders 2008). During the final public council meeting, all councilors have the formal opportunity to comment on the budget proposal and to present amendments, which can either be approved one-by-one or as a total package. This means that, at least in theory, councilors have the opportunity to actually modify the budget.

## 8. Data

We present a new way of assessing the presence of financial information by analyzing the words of the budget debate. Our data thus consist of a succession of words (Laver, Benoit, and Garry 2003). We measure the presence of financial information during the budget debate in a formal and a neutral way, i.e. as it appears from the official minutes of those meetings. These minutes contain the literal transcriptions of the discussions during the budget debate.<sup>10</sup> 121 minutes of the debate on the 2011 budget were selected by stratified random sampling to cover the full variety of Flemish municipalities.<sup>11</sup> Table 6 in the appendix describes the councils in the sample. We selected the 2011 budget discussion to eliminate electoral effects as much as possible. Municipal elections took place in 2006 and late 2012,

meaning that the 2011 budget (debate December 2010) would still be somewhat free from the municipal electoral cycle. Additionally, between August and October 2011 we conducted 5 semi-structured interviews with highly placed civil servants who were non-participating experts in the budget discussion.<sup>12</sup> They were asked to comment on how the budget was discussed in municipal councils and, on the basis of their experience, which factors could impede or advance the presence of financial information in the discussion. The interviews lasted between 1 and 2 hours. The content of the interviews was used to gain insight into the budget discussion in the councils. To avoid any bias, the interviewees were not informed about the results of the minutes' analyses.

## **9. Evidence from interviews**

Our interviewees described the budget debate as the most important meeting of the year, although sometimes it was described as merely symbolic and traditional. Although the preceding political negotiations take place earlier in closed budget committees or private political meetings, our interviewees reported that similar arguments are repeated during the plenary debate. The budget discussion itself is very heterogeneous, with very long and intense discussions in some councils and virtually no discussion in others. Some councils start the meeting with an elaborate verbal presentation, mostly by aldermen responsible for finance or by the financial manager of the municipality, while other councils discuss the budget proposal in less than a minute. Generally speaking, our experts were quite disappointed about the content of the discussion and the councilors' lack of strategic policy focus. Their remarks very often concern details about specific investments, projects, various aspects of service delivery and operational aspects. They describe the debate as "purely political, rarely containing hard facts and numbers – a reiteration of the traditional show of majority against opposition". Our interviewees suggested that, even when councilors did use financial information, it was not in an 'analytical sense', but rather to express tangible, short-term aspects. One interviewee said: "Councilors argue more about a 100-euro subsidy than about million-euro investments; they talk about all possible details of investments but not about its effect on debt rate". However, contrastingly, in some cases councilors seize the opportunity to elaborate on their political priorities and the discussion is well prepared, well grounded and substantial. A clear manifestation of this is the proposition of amendments, although they rarely lead to effective budget changes.<sup>13</sup> Finally, our interviewees were not able to describe the roles of the different actors in general terms but they mention party group leaders, the chair, the mayor and the aldermen for finance as central actors in the discussion, although in some municipalities 'ordinary councilors' also frequently intervene.

## 10. Results: financial information in councilors' speech

What type of financial information becomes visible in the budget discussion? Our results in *Table 1* reveal considerable differences between debates and between financial items. The variety in the discussion observed by our interviewees corroborates our findings. The total financial information score of the debates ranges from 108 occurrences of financial information to absolutely none. The mean of the different financial items is rather low, with on average one or two references to financial information per debate. This suggests that politicians may also attach importance to non-financial, informal, qualitative or policy-related information and that the hard facts, numbers and figures are less present in the discussion. Our findings thus confirm earlier evidence for the use of non-financial information from surveys and case studies (Ter Bogt 2001, Demaj and Summermatter 2012, Liguori, Sicilia, and Steccolini 2012, Raudla 2012).

Moreover, the variance of the specific financial information used by councilors was remarkable: there were 57 references to capital expenditure (by destination) as opposed to no references to depreciation, receivables and commitments. Not surprisingly, councilors contribute significantly more to the debate by referring to budgetary cash information than to accrual information.<sup>14</sup> This result supports previous studies stating that “the importance of cash-based budgetary accounting is overwhelming whereas the marginality of accrual based reporting is evident” (Nasi and Steccolini 2008). However, the Flemish local budgeting context could also play a role in this disparity. Due to the absence of accrual budgeting, there is a time lag of several months between the availability of the accrual accounts and the budget discussion. All in all, our evidence for the apparent use of financial information suggests an emphasis on operational matters and the related non-financial policy information. This observation is largely related to another issue pertaining to the operational versus the strategic focus exhibited by councilors (Liguori, Sicilia, and Steccolini 2009).

Table 1: Frequency of financial information items in 121 debates

Budgetary	Min	Max	Mean	St. Dev.
Capital expenditure by destination	0	57	5.33	8.592
Revenues and funding sources	0	15	2.5	3.12
Current expenditure by destination	0	23	2.01	3.848
Current expenditure by nature	0	24	1.93	3.329
Transfers of other municipal entities	0	21	1.72	2.864
Budgetary surplus or deficit	0	8	1.12	1.464
Capital expenditure by nature	0	7	0.76	1.31
Accounts receivables or commitment to be paid	0	0	0	0
Accrual				
Liability	0	11	1.17	1.854
Cost of services	0	9	0.54	1.323
Cost of activities	0	4	0.19	0.596
Assets	0	3	0.1	0.374
Receivables	0	1	0.02	0.128
Depreciation	0	0	0	0
Total score				
Accrual	0	16	2.01	3.01
Budgetary	0	99	15.37	17.96
Budgetary and Accrual	0	108	17.38	20.14

## 11. Results of testing the variables

In order to test the variables under study, we computed a negative binominal regression analysis on the total financial information score.<sup>15</sup> This means that at the dependent level, we have the sum of the frequencies of both types of financial information.<sup>16</sup> Table 2 presents the results of the analysis. An overview of the variables with descriptive statistics and a correlation table is included in the appendix (Tables 4 and 5).

Table 2: Negative binominal regression results

TOTAL BUDGET SCORE	
POLITICAL CONDITIONS	
Competition	-0.046 (11.24)***
Coalition	0.443 (4.27)**
Chair	0.045 (0.06)
Explanation	0.495 (5.62)**
FINANCIAL POSITION	
Tax rate	0.001 (5.67)**
Debt	-0.000 (0.11)
CONTROL	
Size	0.000 (14.97)***
Negative binominal regression coefficients (Wald Chi <sup>2</sup> in parentheses) Sign.: ***1%, ** 5% LR (Likelihood Ratio) chi <sup>2</sup> (7) 42,95*** Log likelihood -451,56 Adj. Log likelihood -528,55	
N = 121	

The result of the regression analysis reveals a mix of political and financial significant and non-significant variables.<sup>17</sup> With respect to the political conditions, our competition variable shows that less political competition (implying a broader majority) generates a significantly lower frequency of financial information in the debate. The less competition in the council, the less financial information occurs in the budget debate. This is reinforced by the fact that in coalition majorities there is more presence of financial information, indicating that political competition within the executive also has a positive impact. Formulated otherwise: councilors talk less about financial information when there is a broad the majority in the council and when it consists of a single party. The supposition that a verbal explanation would stimulate discussion with financial information is confirmed, although this is not the case for the person of the chair. This is surprising because we assumed that a non-executive chair would also stimulate debate and discussion. This might be due to the relatively new

intermediary role of non-executive chairs, which might need more time to grow into their function.

Concerning financial situation, tax rate directly affecting the citizens stimulates councilors to mention financial information. Debt does not, however, perhaps because its impact on the constituents is more indirect.

Finally, size matters. In larger municipalities councilors integrate more financial information in their speech. This corroborates other studies that found that modernization initiatives have a higher passage rate in larger municipalities (Van Helden and Jansen 2003). As a result of larger control spans and the more frequent emergence of unprecedented situations, governing large-scale municipalities may present greater leadership challenges than small scale governing, which consequently leads to a greater necessity of financial information (Askim and Baldersheim 2012). *Table 3* summarizes the results of testing the variables.

*Table 3: Summary of testing variables*

The presence of financial information in councilors' speech is ...	
higher (or lower) in councils with much political competition	Confirmed, higher
higher in municipalities with high tax rate	Confirmed
higher when the budget is verbally explained	Confirmed
higher in councils with coalition majorities	Confirmed
higher in councils where the chair is a non-executive councilor	Not confirmed
higher in municipalities with a high debt rate	Not confirmed

## **12. Discussion and conclusion**

So do the costs and human effort required to produce (financial) information when financial information is not visibly brought up in budget deliberations really outweigh the benefits? Our subjects did not visibly use this 'input-like' financial information to a greater extent than, for example, the outcome-oriented performance information. The limited presence of financial information in their speech during the budget debate thus confirms our interviewees' pessimistic attitude. Although still considered essential for efficient decision-making, we must at least question the role of this type of hard, objective, numerical, factual information in political decision-making. Financial information may help interpret or clarify

the budget (see e.g., the significant effect of executive explanation) but will not eliminate politicians' different positions or foster consensual decision-making (Moynihan 2006). As Moynihan (2006) states about performance budgeting, "resolutions about allocation of resources are often a matter of agreement and shared understanding rather than factual (financial) information". Because of the inherently political nature of budgeting in local government, no contributions with 'hard' financial material will ever determine which councilor 'wins' or 'loses' the budget debate. Moreover, the total absence of discussion in some cases may point to the fact that in public-sector decision-making considerable allocations just follow from 'objective' bureaucratic planning and take the form of 'faits accomplis' where politicians find it very difficult to decide differently than as proposed by the bureaucracy (Jacobsen 2011).

Although it may appear as if little has changed since the budget debates of the late 1980's, our 'live action' data collection method enables us to nuance the prevailing opinions on politicians' use of financial information. The overall presence of financial information in the debates was low, but in some debates we did observe councilors mentioning this information. In some cases financial information can thus be used as an element in the discussion, not to influence decisions directly but as a basis for deliberation and debate. This brings about a more nuanced (and less rigid) image of the use of financial information than studies with other methods of data collection would propose. Various elements in our study plea for a more differentiated approach of politicians' use of this information.

Firstly, despite their interrelatedness, cash-based budgetary information is still preferred over the new accrual reporting. This could be attributed to both the historical importance of the budget as an authorization document and to the complex issue of politicians' problematic internalization of new policy instruments in general, as we may consider accrual reporting information to be new (Hansen 2001, Pollitt and Bouckaert 2011). Politicians tend to be resistant to change (Curristine 2005). In Flanders, as elsewhere in Europe, financial information has indeed been introduced into the existing budgetary context. Although only partially supported by our results, increased pressure on municipal finances could entail more attention for financial information from politicians *and* citizens in the future.

Secondly, the extent to which councilors integrate financial information in their speech can only partially be justified by the political and financial situation in their municipality. Identifying those factors may be relevant to uncovering some of the triggers for the successful usage of financial information in local governance (Lowndes and Wilson 2003, Demaj and Summermatter 2012). However, the miscellany of significant variables prevents an obvious explanation. With respect to the political conditions, the balance of power between parties in the council may be decisive for the content of councilors' speech in the debate. The larger the

majority, the less discussion. As Buylen and Christiaens (2014) demonstrated, this effect is reinforced at the individual level because local council majority party group leaders are significantly better positioned in terms of familiarity with instruments and tools for effective policymaking. Given this dominance of the majority in the council, the opposition often uses alternative and informal ways to influence the budget, outside the official deliberations (Raudla 2012). In addition, the significance of size points to the relevance of the ‘couleur locale’, i.e. the importance of other organizational and cultural factors as suggested by institutional theory (Lounsbury 2008).

Thirdly, politicians’ actual behavior, in contrast to survey or case study material, is not easily integrated into existing theories and models. By relying on a theoretical framework combining an actor-centered institutional perspective with some contingency factors, we obtained interesting results. However, this study is one of the first to systematically operationalize and analyze observable use of financial information. The regression analysis enables us to identify some political and financial conditions that influence this presence of financial information in politicians’ speech. Nevertheless, we should keep in mind that, lacking more suited alternatives, we explained an aspect of politicians’ behavior applying theories that were developed in another context, e.g., for assessing attitudes or intentions. They do not necessarily inform us about actual behavior. Future research could continue to address politicians’ actual conduct and enable us to refine existing theoretical assumptions. It might also consider the effect of deliberations with financial information on the final budgetary decisions or on other important political issues.



### 13. Appendix

Table 4: Variables in the model

Variable	Description~Measure	Descriptive statistics			
		Frequency		Percent	
Chair	Dummy for executive (1) councilor v. not (0)	Executive = 74		61.20%	
		Non-executive = 47		38.80%	
Coalition	Dummy for coalition (1) v. not (0)	Coalition = 87		71.90%	
		One party = 34		28.10%	
Explanation	Dummy for verbal explanation (1) v. not (0)	Explanation = 91		75.20%	
		No explanation = 30		24.80%	
		Min.	Max.	Mean	St. dev.
Competition	Majorities' electoral margin of victory, difference between 50% and % of majorities' vote share	-7.39	40.51	7.05	7.71
Debt	Debt per capita	0	5335	1114.99	680.45
Tax rate	Property tax rate	750	2200	1319.83	289.55
Size	Population in municipality	2133	116741	18411.85	13738.89
Total budget_score (dep. var.)	Total score of financial information (budgetary and accrual) in budget debate 2011	0	108	17.38	20.14
All data (except dependent variable) are sourced from the Flemish Home Office and the Belgian Federal Service for Economy and refer to 2010 (debt) and 2011 (competition, chair, coalition, explanation, tax rate and size). All N = 121					

Table 5: Spearman correlations

	1.	2.	3.	4.	5.	6.	7.
1. Size	1						
2. Competition	-0.074	1					
3. Explanation	0.164	-0.015	1				
4. Chair	0.005	-0.09	-0.014	1			
5. Tax rate	-0.123	0.209*	0.002	-0.028	1		
6. Debt	0.115	-0.153	0.003	-0.06	0.071	1	
7. Coalition	0.096	0.223*	0.024	0.121	-0.114	0.045	1

*Table 6: Sample of councils*

Aarschot, Alken, Ardooie, Arendonk, As, Beringen, Berlaar, Bever, Beveren, Bierbeek, Bilzen, Bocholt, Boechout, Boortmeerbeek, Borgloon, Borsbeek, Boutersem, Brakel, Brasschaat, Bredene, Bree, Brugge, Deerlijk, Denderleeuw, Destelbergen, Diest, Diksmuide, Edegem, Erpe-Mere, Essen, Gavere, Geel, Genk, Gingelom, Gistel, Grimbergen, Grobbendonk, Haaltert, Hamont-Achel, Harelbeke, Heers, Heist-op-den-Berg, Herenthout, Herne, Herzele, Hoeilaart, Hoeselt, Holsbeek, Hove, Ichtegem, Ieper, Jabbeke, Kampenhout, Kasterlee, Kinrooi, Knokke-Heist, Koksijde, Kontich, Kortenaken, Kruibeke, Laakdal, Landen, Langemark-Poelkapelle, Lebbeke, Ledegem, Lier, Lint, Lokeren, Londerzeel, Lovendegem, Lubbeek, Lummen, Maaseik, Machelen, Meise, Merchtem, Mortsel, Nazareth, Neerpelt, Nevele, Nijlen, Olen, Oosterzele, Opglabbeek, Opwijk, Peer, Putte, Retie, Rotselaar, Ruiselede, Schilde, Sint-Katelijne-Waver, Sint-Truiden, Stabroek, Staden, Steenokkerzeel, Temse, Tessenderlo, Tielt, Tielt-Winge, Tienen, Tremelo, Turnhout, Vleteren, Waarschoot, Waregem, Wellen, Wemmel, Wevelgem, Wichelen, Wielsbeke, Wijnegem, Willebroek, Zaventem, Zedelgem, Zele, Zelzate, Zingem, Zoersel, Zomergem and Zulte.
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## 15. End notes

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<sup>1</sup> The term ‘use’ could imply that somehow the financial information influences decisions or actions taken. This aspect falls outside the scope of this article. However, to our knowledge, there is no adequate synonym for ‘use’ and by using the term we mean the aspect of use referring to the fact that councilors (previously) assimilate the information and integrate it in their speech during the budget debate, regardless of its impact on the following decisions. Thus, use is defined as ‘talking about’. To our knowledge, two studies addressed this particular aspect of use (Moynihan 2006, Ter Bogt, van Helden, and Van der Kolk, forthcoming), also referring to it as ‘actual use’.

<sup>2</sup> Although our research is focused on non-executive local elected representatives (councilors), we start our argumentation by describing the specific use pattern of politicians in general, as it strongly differs from other user groups.

<sup>3</sup> There are also major differences between application of concepts in private ‘businesslike’ environments and in the public sector, respectively.

<sup>4</sup> 72% of councils in our dataset are coalitions of two or more parties.

<sup>5</sup> Unemployment policy and inhabitants’ income level, for example, is not in the realm of action of cities and municipalities. These policy areas are controlled by the federal government. Some aspects, such as activation of unemployed people, are regional matters. The same holds true for inhabitants’ income level (Bastida, Benito, and Guillamón 2009).

<sup>6</sup> The quantitative nature of the budget itself is obviously very conducive to the presence of financial information in councilors’ contributions (see e.g., Frisco and Stalebrink (2008)). Finance directors identify financial reporting as the most useful (after accountability to audit offices) tool for elaborating on the budget for the next period. German councilors approve the budget and instruct the administration based on financial reports (Adam and Behm 2006).

<sup>7</sup> The authors have extensive working experience in local government.

<sup>8</sup> By focusing on the official budget debate in municipal councils, we exclude the preceding negotiations, party meetings or special financial and budget committee sessions. Raudla (2012) concluded that in Estonia financial performance was not discussed at meetings of the budget committee. Similarly to Flemish municipalities, the Estonian committee only had an advisory role. Moreover, the installation of a financial or budget committee is not mandatory in Flanders; the number of participants is limited; the meetings are not public and are limited in time. The presence of a municipal financial committee does not significantly impact on the occurrence of financial information in the debate (Oneway Anova,  $F = 0.781$ ,  $p = 0.38$ ).

<sup>9</sup> Balance sheet and operating statements are derived from the budgetary document through a complex reconciliation system with economic and functional coding.

<sup>10</sup> These official public documents are a reliable, neutral and objective reproduction of the councils’ meetings. The city manager is responsible for the correctness of the notification.

<sup>11</sup> According to a detailed clustering of municipalities comprising some 150 socio-economic factors.

<sup>12</sup> Our interviewees are neutral observers of the budget debate in the sense that they are civil servants with expertise in local budgeting. Two interviewees are city managers responsible for the council’s minutes and are always present during its meetings. One interviewee worked in the cabinet of the Ministry of Interior Affairs and another worked for the Flemish Home Office. The fifth interviewee is an expert for the Association of Municipalities and Cities.

<sup>13</sup> The budget proposal was approved unanimously in only one of 121 debates studied.

<sup>14</sup> Result of one sample T-test (means) ( $T = 8.186$ ,  $p < 0.000$ ).

<sup>15</sup> Given that our dependent variable is a typically over-dispersed count variable, we performed a negative binomial regression with log link (see e.g., Hilbe (2011)). Alternatives such as Poisson regression models did not fit our data because the variance exceeds the mean (Kutner et al. 2005). Due to the limited number of cases with value zero (7), we did not apply the zero inflated variant of the

negative binominal regression model. The omnibus test, testing the model as a whole using the likelihood ratio  $\chi^2$  demonstrates that our model is significant (p. 0.000). Analyses of the raw and likelihood residuals show that the assumptions to perform negative binominal regression are fulfilled.

<sup>16</sup> Our measure has internal consistency (Cronbach Alpha= 0.74 for the 14 items).

<sup>17</sup> Concerning the selection of variables under study, we opted for a selection of a few specific variables because of high correlations between different political (% of votes, share of seats, number of majority parties, % votes largest party) and financial variables (municipalities' incomes and expenses, debt rate, investment rate). In order to assess the robustness of our results, we conducted sensitivity tests with alternative variables. Firstly, we performed the analysis on solely the budgetary items as dependent variable. Our results remained unchanged. Secondly, we substituted some political and financial variables by alternative measures. Property tax rate was replaced by the actual tax revenue (value in € for 2011) (p. 0.019). As for the political variables, the dummy coalition/majority was substituted by the number of parties in majority (p. 0.032) and by the total number of parties in the council (p. 0.021). Our results remained stable throughout the robustness analyses. For reasons of completeness, some variables referring to the economic situation in the municipality (unemployment and inhabitants' income level) were added. Unemployment was not significant (p. 0.79) and the mean inhabitant's income level was significant (p. 0.071), but correlates with the tax rate. Additionally, we tested for interactions between coalition and explanation, explanation and competition, competition and chair and explanation and chair. None was significant.







# STUDY 3: IS IT REALLY (JUST) A MATTER OF POLITICS?

## ANALYZING THE INFLUENCE OF LOCAL POLITICAL CONDITIONS ON THE LEVEL OF SUBSIDIES THAT FLEMISH MUNICIPALITIES OBTAIN.

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### **Abstract**

This study contributes to the need for more profound and integrated studies of individual and political characteristics that explain differences in municipalities' capacities to attract subsidies. The paper quantitatively assesses the impact of local political conditions on the level of subsidies that municipalities obtain. In addition, we integrate the 'human political factor' into our analysis, by adding mayors' opinions about their role and their view about the impact of local political conditions. The paper uses empirical data from a recent inventory of subsidy flows by the Vlabest (Flemish advisory council for administrative affairs) combined with data from interviews with 11 mayors. The statistical evidence suggests that some political factors (e.g., the number of parties in council) and properties related to the mayor (his/ her party, and his/her other political mandates) have an impact on the amount of subsidies that municipalities obtain. Moreover, mayors position themselves as very relevant actors in the process of obtaining subsidies, although their personal engagement differs.

**Key words:** subsidies, mayors, political conditions, municipalities.

## 1. Introduction

One of the dominant concerns of local governments is revenue collection (Petrovsky and Avellaneda 2014). In this respect, subsidies are an indispensable source of income for cities and municipalities<sup>1</sup>. They represent strategic and financial competitive advantages for local governments (Carmeli 2006). For example, Flemish municipalities are strongly dependent on the availability of resources to provide public infrastructure (Goeminne and Smolders 2013). Traditionally, differences between municipalities' capacities to obtain those subsidies have been explained as a function of contextual, i.e., political, financial, socio-economic and cultural factors representing the external constraints and opportunities that they face (Zafra-Gómez, López-Hernández, and Hernández-Bastida 2009, Bastida, Benito, and Guillamón 2009). However, the impact of those contextual factors is not univocal, for example the impact of political factors is deemed very relevant but is also questioned (Johansson 2003a, Sole-Olle 2006, Solé-Ollé and Sorribas-Navarro 2008, Bouvet and Dall'Erba 2010, Avellaneda 2012b). Especially the local political environment may be very relevant as any process of subsidy application starts with a political decision and is preceded by political negotiations and bargaining.

Other explanations stem from the upper echelons theory advocating that the differences between municipalities' abilities to obtain subsidies should be interpreted through human actions, more specifically by looking at the key figures in organizations (Carmeli 2006, Avellaneda 2009a, Avellaneda 2009b, Jurak and Pinteric 2012, Petrovsky and Avellaneda 2014). In this respect mayors could be very relevant characters. As the most powerful local leaders mayors are key-pivotal players in municipalities. Their behavior in relation to obtaining subsidies could also explain differences between municipalities.

Although both research streams have produced many studies, to our knowledge, they did not integrate the political contextual and the human perspective into one research setting. Analyses of local political conditions may not cover human aspects (for example the role of mayors) in the complex process of acquiring subsidies. This study adds mayors' opinions about their role and their view about the impact of the local political context to the quantitative assessment of political conditions. Quantitative analyses of political conditions using a recent Vlabest inventory of subsidy flows will thus be complemented with a qualitative study containing interviews with mayors<sup>2</sup>. In doing so we contribute to the need for more profound and integrated studies of individual and political characteristics that explain differences between municipalities with regard to their capacities to attract subsidies.

## **2. Focus on the ‘grantee’s’ side in studying subsidies**

Generally, when assessing the impact of subsidies, the focus has been on the granter, the government dividing subsidies. Research in line with public choice theory often explained subsidies as an element in the broader distribution movement from higher governmental echelons to lower governmental levels, introducing premises such as the flypaper effect and vote maximizing behavior<sup>3</sup>.

When considering the allocation of grants from the viewpoint of the ‘receiving local government’ i.e. the grantee, the most frequently investigated topics relate to the economic impact of attributing grants, for example subsidies’ influence on local fiscal policy, local budget cycles, spending behavior, the realization of own revenues, the role of spatial interactions and the effects on employment (Goeminne, Geys, and Smolders 2008, Benito, Bastida, and Garcia 2010, Benito, Bastida, and Vicente 2012). Alternative studies examined the impact of very specific earmarked grants, for example in the domain of housing or garbage collection or on the real estate market (Benito, Bastida, and Garcia 2010). They mainly assess the impact of those specific grants applying advanced frontier methods for policy sectors with highly measurable output (de Borger et al. 1994). The attraction of subsidies from the viewpoint of the local government has, to our knowledge, been studied to a lesser extent.

## **3. The influence of local political conditions on the obtaining of subsidies**

When we start considering which factors could influence the obtaining of subsidies, local political conditions occur as the most obvious and relevant. Related studies e.g., in the domain of tax collection, demonstrated the impact of context in relation to municipal finances and financial performance. They identified political conditions as particularly relevant determinants (Bouvet and Dall'Erba 2010, Avellaneda 2012b, Petrovsky and Avellaneda 2014). Political elements are decisive in both redistribution mechanisms and for the implementation of policy (Krebs and Pelissero, 2010). Simply stated, some political contexts simplify the request for subsidies whereas others impede it (Avellaneda, 2012b).

A first factor relates to the political climate in the council. It is reasonable to assume that intra- council constellations help create good environmental conditions for the application for subsidies, e.g., as elements in the executing of a strategic planning (Egner and Heinelt 2008). In this respect, the balance of power in the council is very relevant to support the majority’s plans for subsidy application (Egner and Heinelt 2008). Power relations force leaders to mobilize coalitions to support their demands for subsidies (Avellaneda 2009). Besides, according to the Weak Government Hypothesis, the more fragmented the

government, the higher expenditures, and possibly the higher the need of financial resources such as additional grants (Ashworth, Geys, and Heyndels 2005).

Secondly, intergovernmental relations and the support of other tiers of government influence the ability of municipalities to receive grants (Schaap, Daemen, and Ringeling 2009, Petrovsky and Avellaneda 2014). Steyvers et al. (2008) confirm that decision-making increasingly depends on key-individuals located in different organizations and levels instead of hierarchy or power of certain parties. Motives for determining the allocation of intergovernmental transfers are sometimes merely political. In this respect overlapping party affiliation (party alignment) is the most relevant factor (Johansson 2003a, Avellaneda 2009a, Ermini and Santolini 2010, Bouvet and Dall'Erba 2010). Various studies, e.g., Petrovsky and Avellaneda (2014) found that municipalities ruled by the same party as their upper- tier grantor governments received more grants than unaligned ones.

A third relevant aspect relates to the local politicians having seat in higher political assemblies. For example, in Flanders where political localism prevails, regional executive politicians (in our case members of the Flemish parliament) would be in need of local support in order to develop their political career<sup>4</sup>. Consequently, some combine their parliamentary mandate with a local executive function as mayor or aldermen. Those local politicians have direct access to subsidizing ministers and are expected to defend their municipalities' interest in their parliamentary activities. So politicians who combine their local mandate with a seat in the Flemish parliament could be better positioned to obtain subsidies for their municipality.

Fourthly, parties are not only vote seekers but also office and policy makers (Johansson 2003). Certain parties, e.g., Christian Democrats and socialists are traditionally ruling parties with decades of governing experience. In this respect politicians from purely local parties could be disadvantaged. They lack the support from a (national) party organization or from ministers or MP's (members of parliament) who may defend their municipalities' interests at higher political echelons.

A final element concerns political experience. Experience is associated with a range of technical and interpersonal skills that could be relevant in the process of applying for subsidies. More experienced politicians are generally better positioned to be familiar with modern policymaking (Buylen and Christiaens 2014). Moreover, experience facilitates assimilation of new instruments and procedures among which we could place the application for subsidies (Buylen and Christiaens 2014).

#### 4. Control factors: socio-economic factors and size

Besides the impact of political conditions we must reckon that the overall social and economic context could be determining for the financial needs of municipalities and thus represent ‘demand indicators’ in relation to subsidies. In accordance with related studies we control for a number of variables describing the socio-economic situation of the municipalities (Krebs and Pelissero 2010, Petrovsky and Avellaneda 2014). Economic development is generally recognized as a highly significant factor. A stable and comfortable financial position is considered as a precondition for developing (new) strategies, e.g., submitting new projects for subsidies (Avellaneda 2009a). The municipalities’ social status also influences their need for additional resources. Frequently used indicators are inhabitants’ income level, labor and property taxes, unemployment and demographic factors such as young and old population share (de Borger et al. 1994, Johansson 2003a, Seifert and Nieswand 2013). Finally, we incorporate size and administrative capacity as control variables for organizational complexity (Carmeli 2006).<sup>5</sup> Size is operationalized through the socio-economic Belfius clustering of cities and municipalities. The clusters comprise some 150 factors, of which the scale is a dominating element.

#### 5. The role of mayors

Our assessment of political conditions may not capture the ‘human political factor’ in the acquiring of subsidies. As ‘upper echelon’ players, mayors could be very relevant in this respect (Avellaneda 2012b). Mayors are often the strongest leaders in the local political scene and are deemed responsible for the overall financial health of the municipality, while the individual legislator is not (Vallet and De Rynck 2006, Avellaneda 2009a).

In many countries, mayors’ role has undergone major transformations the last decade (Rao and Berg 2005, Copus 2011). Studies in the area of public administration, governance and political science documented that mayors become more prominent leaders, acting as ‘primus inter pares’ (Borraz and John 2004, Rao and Berg 2005, Satterthwaite 2009, Reynaert et al. 2010, Steyvers 2013). They are increasingly important characters in the transforming of local governments into effective public organizations (Rao and Berg 2005, Steyvers et al. 2006). For this purpose mayors are expected to embody the entrepreneurial spirit of their municipality and be outward looking for ways to optimize the development and the financial position of their locality in an environment of growing competition (Borraz and John 2004, Greasley and Stoker 2008).

While national legislation might provide a framework for their initiatives, mayors need to recognize the opportunities with regard to the attraction of subsidies. There is evidence that in some cases elected mayors may evolve in the direction of a political and visionary broker,

that is, a synthesizer of interests and coalitions who intends to maximize the resources for the municipality (Egner and Heinelt 2008, Block and Steyvers 2011, Michel and Taylor 2012, Avellaneda 2012b, Steyvers 2013). These mayors embody prominent forms of executive leadership because they can pull the shifting framework of local decision-making together and act as real entrepreneurs. Due to this entrepreneurial behavior some authors denominate to the mayor as the CEO of the municipality (Steyvers et al. 2006).

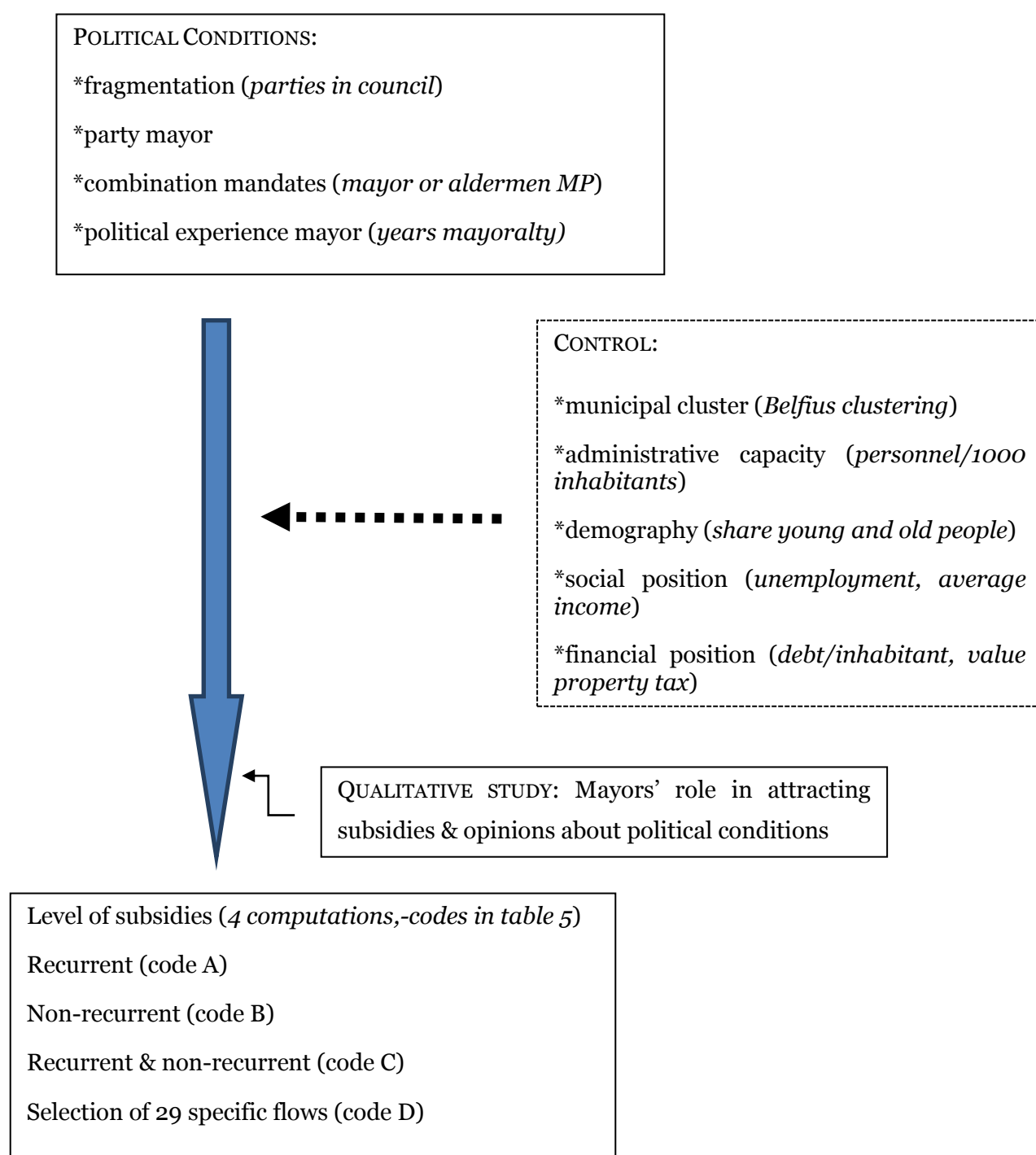
This concept of 'CEO-isation' might refer to elements of entrepreneurship in the private sector associated with taking risks and innovativeness (Littunen 2000). Although there is no pre-defined set of features, this CEO-isation of mayoralty or the 'entrepreneurial mayor' is characterized by various managerial skills. CEO-like mayors focus more on interconnectivity, agenda-setting and network broking than their 'traditional' counterparts (Gains, John, and Stoker 2008, Block and Steyvers 2011). They also emphasize more efficiency than democratic aspects, they tend to show more openness toward private-public cooperation, out of house production and cooperation in providing services. Important aspects in their behavior are stronger horizontal networks, local innovation and capacity building. Their leadership is also more individualized, taking office and executive responsibility, challenging traditional task divisions as political and administrative leaders in disadvantage of the council (Steyvers et al. 2008). This CEO-isation also implies a de-collectivization and professionalization of leadership with mayors spending much time in office. We could also talk of a more 'managerial' mayor. Some authors stress the de-politization of the entrepreneurial mayors' role in this respect. For example, Greasley and Stoker (2008) do not talk about entrepreneurialism but prefer to label it as facilitative styles of local political leadership that is visible and outward looking, but particularly less partisan than more established forms. Those established forms are associated with a 'traditional outlook' and 'classic' roles (e.g., importance of services rendered) with which a considerable group of mayors still identifies (Steyvers et al. 2006).

However, the issue is that there is not much empirical evidence about mayors' role in the attraction of subsidies. Can this CEO-isation of mayoralty, identified in specific cases, such as urban planning projects be generalized in relation to subsidies attraction in local government? In fact, there is ample evidence that politicians do not always take up a strategic policy making or even entrepreneurial role associated with 'new' types of local governance. Being outward looking for strategic opportunities for the municipality indeed requires an important shift in role orientation from an operational focus to strategic policy planning. Although this new policy oriented role has been widely proposed in various local government modernization movements, politicians still face difficulties holding on to this idea (Hansen 2001, Liguori, Sicilia, and Steccolini 2009, Stocker and Thompson-Fawcett 2014).



Moreover, there could be differences related to the underlying subsidy process itself. Entrepreneurial mayors have essentially been characterized by cooperation with various private partners. However, with regards to attracting subsidies from other governmental layers, political connections could be more relevant, for example belonging to the same party as the subsidizing minister. The application for governmental subsidies could also require more internal cooperation with civil servants and other (sometimes competing) political representatives. This could demand a de-politization of the entrepreneurship model in which mayors primarily take up a bridging function. We are not able to integrate those aspects of mayors' role or entrepreneurial behavior directly into our quantitative analyses of local political conditions, but the interview findings enrich the results of the quantitative analyses. Based on the mayors' testimonies in the interviews, a first element will thus be to clear up the role of mayors in applications for subsidies. In addition we present their opinions about the influence of local political conditions on the obtaining of subsidies. *Figure 1* summarizes our research approach.

Figure 1: Research design



## 6. Flemish municipalities

There are four levels of government in Flanders: the central government, the regions, the provinces and 308 municipalities. Municipalities have wide ranging budgetary autonomy and are authorized to decide independently about expenditure and revenues. Unlike other countries (UK and US) with different forms of government, Flemish municipalities all have identical organizational forms, i.e. a parliamentary system with a fixed electoral cycle of 6 years.

The mayor and aldermen together constitute the executive board of the municipality. Although the council is in principle considered as the heart of the local political institutions, in practice the executive board is pre-eminent (Verhelst, Reynaert, and Steyvers 2011). In their own perception but also in reality, the mayor is the political leader of the majority and thus chief policy maker. Officially mayors have only limited authority but mayoral leadership is relatively strong, dominating the council and the administration. However, some authors categorize Flemish mayors more as collegial leaders (Ackaert 2005, Egner and Heinelt 2008). Flemish mayors consider themselves as rather traditional policymakers, leaders of political institutions and lobbyists (Rao and Berg 2005). In their relations with citizens, they position themselves much more as coordinators oriented towards general policy issues (Ackaert 2005). Theoretically Flemish mayors can be located somewhat 'between' the traditional parochial style and the NPM-inspired entrepreneurial role, although this more traditional style is slowly being replaced by a new type of leadership that emphasizes policy-making and some aspects of entrepreneurship (Ackaert 2005, Steyvers et al. 2006).

Concerning their political activities, Flemish mayors devote considerable part of their energy to maintaining their networks (Rodenbach, Steyvers, and Reynaert 2013). They aim to link the citizens to local government and often run as go-between between several authorities, groups and policy networks (Schaap, Daemen, and Ringeling 2009). Many combine different political positions, often serving as members of the regional or provincial council. More than 80% of all MP's (regional and federal) combine their parliamentary seat with a local mandate, 19% of the members of the Flemish parliament is mayor (Rodenbach, Steyvers, and Reynaert 2013). This combination of mandates refers to the role of mayors as lobbyists, who are expected to obtain projects and to mobilize funds for their municipality. Multiple office holding, which provides local politicians direct access to ministers and MP's, is considered as the appropriate instrument to realize this.

Concerning Flemish municipalities' financial position, they face important financial challenges due to factors such as the global economic crisis, ageing, pension pays and dropping dividend revenues from the energy sector (Belfius 2013). So additional grants and subsidies are particularly welcome. Successive rounds of Belgian state reform have turned the

regional government today into the most important government from the local point of view (Wayenberg 2005). Grants from regional government are almost equally important as taxation for local governments' revenues. 19.3% of municipalities' investments are financed through grants so they constitute an important revenue source for the Flemish local governments (Goeminne and Smolders 2013).

## 7. Data collection

The data collection follows our double research intentions. For the assessment of local political conditions on the level of subsidies we analyze recent empirical material from a Vlabest (2013) study. In 2013, the Vlabest listed the different subsidy flows from the Flemish regional government to local governments. The subsidies are earmarked i.e., designed for specific purposes. The study identified 68 streams, with important differences between policy sectors (e.g., 1 grant scheme for the finance and budget department and 12 for housing and planning). Subsidies can be either recurrent or non-recurrent. Recurrent subsidies are attributed regularly (often yearly) while non-recurrent subsidies represent occasional project oriented subsidies. In our study, 43 are labeled as 'recurrent' while the remaining 26 represent the non-recurrent, occasional subsidies. On average municipalities receive subsidies from 14 recurrent grants flows, mostly between 11 and 15 grants, with a maximum of 27 and minimum of 3. Table 5 in the appendix presents the different subsidy types that we analyze.

It is important to notice that the listed subsidy flows represent about one fourth of all subsidies attributed to local governments by the Flemish government (the other three quarters are attributed through the 'cities' and municipalities' funding according to a detailed system of distribution criteria, this is not earmarked). This 'cities and municipalities funding' is a typical example of an equalizing subsidy, aiming at reducing the (financial) differences between cities and municipalities. The funds are attributed automatically based on fixed criteria. The role of contextual elements such as political conditions or the mayor is therefore expected to be restricted in this respect. Data availability limited the data collection to a one year period, grants attributed or registered in 2011, but we may presume that the subsidy streams are rather stable<sup>6</sup>. Our data thus indicate how much earmarked grants each municipality obtains from the Flemish government<sup>7</sup>.

However, as already stated, the political decision-making process could be more complex than the quantitative data may comprehend. While assessing the impact of political conditions, the role of mayors remains largely uncovered in the statistical part. To add this dimension to our study, we gathered data from 11 semi-structured interviews with mayors. Criteria to select interviewees were: level of subsidies of their municipality, socio-economic profile of their municipality, political experience, province and political party. The

respondents were identified after deliberations with an expert panel<sup>8</sup>. As such, they represent a varied group of mayors and cover the different political conditions under which they operate. A consequence of this selection is that most interviewees belong to cities and municipalities that obtain rather more than the average amount of subsidies.

Interviews lasted between 45 minutes and 1, 5 hours. The questions concerned their role in the processes of obtaining subsidies and their opinion about the impact of political conditions such as the influence of their own party, the number of parties in council and the relevance of combining multiple political mandates for obtaining subsidies. To counter the social desirability bias in mayors' answers as much as possible, we asked for detailed facts about recent subsidy applications. We requested to describe the latest subsidy processes (e.g., mayors' specific actions or initiatives in this respect, the timing of the process, the role of the different actors, discussions in the college, ... ). Additionally, we compared mayors' testimonies with available background information (mayors' political career, former (non-political) experience, portfolio as aldermen, party's position in the council, power relations in their council, mayors' education and mayors' network. This material is publicly available on political parties' and municipalities' websites, or stems from other sources such as the local profiles issued by the Flemish government.

## 8. Empirical model

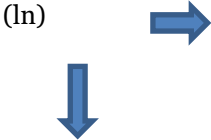
The discussed political and control factors are regressed (OLS regression) on the amount of subsidies<sup>9</sup>. The variables used for the analyses are presented in table 3 in the appendix. Because the dependent variables (the computations of the amount of subsidies) are not normally distributed, we performed a log transformation to meet the requirements for OLS regression. To avoid possible issues of endogeneity between some control variables and the dependent variables, for example the obtaining of subsidies could affect the debt or tax rates, we integrated a one-year time delay in our measurement (we used control variables of the year 2010 while the subsidies were attributed in 2011 (or paid out even later)).

Concerning the dependent variable, the level of grants, we computed 4 variants of the subsidy flow<sup>10</sup>. We distinguish between recurring and non-recurring subsidies. Recurring subsidies require a 'recognition' but are afterwards attributed yearly. Contrastingly, non-recurring, occasional subsidies (co)finance specific projects or investments for a limited time period. To obtain them, special efforts are required (e.g., writing applications and project plans, cooperation between different organizations, co-financing). We have three dependent variables computed with both recurring and non-recurring subsidies. The first contains the recurring and non-recurrent subsidies all education subsidies excluded (Code A in the tables 1, 2 and 5)<sup>11</sup>. The second includes only recurrent subsidies (Code B). The third is composed

of solely thematic non-recurring subsidies (Code C). In addition, we selected 29 subsidy flows (recurring and non-recurring) to which all municipalities are entitled. Theoretically all 308 municipalities may apply for these 29 subsidy schemes. Frequencies indicate that only 6 municipalities did not obtain at least one of the 29 subsidy flows. This is our fourth dependent variable (Code D).

Full description of variables is provided in table 2 (appendix) and the results of the statistical testing are grouped in *Table 1*.

Table 1: Regression results

Level subsidies (ln) 	Total recurrent and non-recurrent subsidies (excl. education) (code A)•	Total recurrent subsidies (code B)	Non-recurrent subsidies (code C)	Selection subsidies (code D)
<b>Political conditions</b>				
Parties in council	0.165 (2.711)***	0.220 (4.425)***	0.085 (1.138)	0.100 (2.032)
Mayor MP	0.123 (0.584)***	0.091 (2.098)**	0.072 (0.340)	0.121 (0.338)**
Aldermen MP	0.026 (-0.385)	0.030 (0.686)	0.021 (-0.486)	0.020 (-0.342)
Experience mayor	-0.016 (0.139)	0.000 (0.012)	-0.029 (0.202)	-0.019 (0.407)
Years mayoralty				
Mayor Liberal party	0.006 (-3.377)	-0.035 (-0.785)	0.013 (-1.436)	0.025 (-2.334)
Mayor Local party	-0.153 (0.509)***	-0.078 (-1.793)*	-0.091 (-0.775)	-0.140 (0.561)**
Mayor Socialist	0.023 (2.711)	-0.048 (-1.082)	-0.050 (1.138)	0.034 (2.032)
<b>Control factors</b>				
Value property tax	-0.076 (-1.044)	0.076 (1.076)	0.009 (0.090)	-0.147 (-1.526)
Debt/inhabitant	0.095 (1.891)*	0.010 (0.217)	0.059 (0.837)	0.081 (1.229)
Unemployment	-0.011 (-0.158)	-0.010 (-0.153)	0.012 (0.124)	0.052 (0.588)
Average income/inhabitant	-0.018 (-0.229)	0.121 (1.597)	0.006 (0.056)	0.080 (0.766)
Share young people	-0.041 (-0.718)	-0.029 (-0.526)	0.041 (0.508)	0.037 (0.490)
Share old people	-0.037 (-0.574)	-0.130 (-2.113)**	-0.051 (-0.576)	-0.012 (-0.144)
Personnel/1000 inhabitants	0.096 (1.490)	0.160 (2.570)**	0.086 (0.955)	0.093 (1.089)
Belfius Cluster V1	-0.109 (-1.537)	0.027 (0.396)	-0.169 (-1.702)*	-0.086 (-0.916)
Belfius Cluster V2	-0.066 (-1.098)	0.032 (0.547)	-0.009 (-0.112)	0.004 (0.052)
Belfius Cluster V3	-0.019 (-0.288)	-0.116 (-1.795)	0.008 (0.081)	0.019 (0.210)
Belfius Cluster V4	0.034 (0.645)	-0.004 (-0.081)	-0.031 (-0.412)	0.068 (0.967)
Belfius Cluster V5	0.161 (2.737)***	0.181 (3.187)***	0.047 (0.572)	0.085 (1.095)
Belfius Cluster V6	-0.070 (-1.279)	-0.042 (-0.807)	-0.090 (-1.180)	-0.062 (-0.863)
Belfius Cluster V7	0.118 (2.134)*	0.171 (3.212)***	0.006 (0.077)	0.032 (0.434)
Belfius Cluster V8	0.053 (1.078)	0.060 (1.255)	0.001 (0.011)	0.023 (0.352)
Belfius Cluster V9	-0.086 (-1.453)	-0.107 (-1.881)*	0.001 (0.013)	-0.010 (-0.134)
Belfius Cluster V10	0.066 (1.027)	0.100 (1.622)	-0.108 (-1.216)	0.006 (0.073)
Belfius Cluster V11	-0.080 (-1.089)	0.054 (0.755)	-0.079 (-0.770)	-0.066 (-0.680)
Belfius Cluster V13	0.078 (1.544)	-0.010 (-0.208)	-0.004 (-0.060)	0.057 (0.865)
Belfius Cluster V14	0.296 (5.593)***	0.216 (4.243)***	0.139 (1.882)*	0.190 (2.724)***
Belfius Cluster V15	0.333 (6.022)***	0.336 (6.312)***	0.132 (1.716)*	0.206 (2.829)***
Belfius Cluster V16	0.034 (0.439)	-0.009 (-0.121)	-0.004 (-0.033)	0.071 (0.689)
N	295	295	295	295
R <sup>2</sup> /adj. R <sup>2</sup>	0.57/0.52	0.60/0.56	0.16/0.07	0.25/0.17
Anova F	12.14 ***	13.84***	1.78**	3.12***
Max. VIF	3.85	3.85	3.79	3.84
T-values in parenthesis / Standardized coefficients				
Spearman correlations max. 0.42 (between Belfius cluster V1 and average income/inhabitant)				
*10% sign, **5%sign, ***1% sign.				
•Details about content of codes are provided in table 5 (appendix)				

## 9. Statistical results

### 9.1 Influence of political conditions

We note from the  $R^2$  values that the two most comprehensive subsidy flows (codes A and B) are better explained by the explanatory variables than the other computations (non-recurrent and selected subsidies). Maybe because in the latter some major recurring subsidy flows are omitted and the mass of subsidies to be explained is reduced.

Overall, our findings support the idea that political conditions influence municipalities' capacity to attract grants. They validate the theory that differences in the local political conditions manifest themselves in variances in subsidy collection. The most significant positive factors are the number of parties in council and mayors' membership of the Flemish parliament. Compared to the reference category of Christian Democrats, mayors of local parties are negatively predisposed. Mayors' political experience and the presence of an alderman who is member of the Flemish parliament have no significant impact.

The number of parties in council has a positive effect on 2 of the 4 computations of the subsidy stream. As a rule, the more parties in the council, the more subsidies municipalities obtain, although this does not hold for the recurrent and selected subsidies. This means that the Weak Government Hypothesis stating that more political fragmentation demands more resources (and more subsidies?) can be partially accepted. The necessity to fulfill the expectations of different coalition partners or to satisfy the fragmented opposition may demand more income from subsidies.

As expected, municipalities with mayors member of the Flemish parliament have an advantageous position to obtain Flemish subsidies, although this does not hold for the non-recurrent subsidies. Probably those 'MP- mayors' have inside information (e.g., about new plans or subsidizing initiatives). Due to their closeness to ministers, MP's and cabinet advisers they keep more up to date about financial grants. Presumably their seat in 'Brussels' enables them to closely follow and monitor the money flows. However, we should be cautious in interpreting the results. The question remains why it is not the case for non-recurrent subsidies (do these municipalities get along without additional project funding or are these subsidies attributed differently?). Moreover, there are not many reflections of the Flemish coalition at local level so the political alignment between the Flemish parliament and municipalities is rather limited (Olislagers and Steyvers 2014).

In contrast with previous findings about the positive impact of experience, our analyses reveal no significant influence of mayors' political experience. Indeed, due to data limitation we could only include formal political experience. It is plausible that other aspects of practice such as education or business experience are more relevant (Buylen and Christiaens 2014)?



Or otherwise that more experienced mayors are not necessarily the most active ones or those who engage in subsidy applications.

Concerning the impact of mayors' political party, it seems that municipalities with mayors belonging to local parties obtain significantly less subsidies, in comparison to the Christian Democrats. Municipalities with socialist or liberal mayors are not significantly advantaged or disadvantaged compared to the reference category of Christian democrats. Indeed, Christian democrats have a governing tradition with decades of experience and an elaborate network of (former) ministers and cabinet personnel. Maybe mayors from local parties miss the interaction with party members or the lack of support from a political apparatus? In fact, municipalities with mayors from local parties are the only ones that are affected by party. There are no significant differences between municipalities with mayors from other 'traditional' parties. This could point at the fact that governing experience makes the difference. However, we should keep in mind that the group of local parties is quite heterogeneous; sometimes they are supported by national parties<sup>12</sup>. Some local lists are composed of national and local figures, although they are essentially focused on local themes (Heyerick and Steyvers 2013).

All in all, some political conditions either positively or negatively affect subsidies although not the non-recurrent ones. In terms of their impact, when we compare the standardized coefficients, the number of parties in council seems to be most positively influential. Having a mayor from a local party has a significantly negative impact, but the coefficient is lower<sup>13</sup>.

Concerning the control factors, the fiscal, economic and social variables (tax value, debt rate, income and unemployment) are not significant<sup>14</sup>. Demographic factors are only marginally influential (the share of old people has a negative effect, but only for recurrent grants). Administrative capacity has a slightly positive impact, but also only for recurrent subsidies<sup>15</sup>.

Finally, it is clear that urbanization and scale positively affect the obtaining of subsidies. Municipalities belonging to the Belfius clusters V14 (regional cities) and V15 (large and regional cities) obtain significantly more subsidies compared to the reference category of V12 (rural municipalities). This is also the case for the municipalities in clusters V7 (strongly urbanized conglomerate municipalities) and V5 (medium-sized cities) but only for recurrent and non-recurrent subsidies and recurrent subsidies (codes A and B). These results show that regional, medium-sized and large municipalities obtain significantly more subsidies in comparison with their rural counterparts. The coefficients demonstrate that belonging to cluster V14 or V15 is even the strongest influential factor, together with the number of parties in council. This advantage for larger municipalities is in line with various related studies. Larger municipalities are usually better informed, with more administrative capacity to manage applications for subsidies. According to some authors in larger cities councilors even

face more demands from constituents (Carmeli 2006, Krebs and Pelissero 2010). As a rule, larger local authorities are expected to perform better from a financial point of view (Petrovsky and Avellaneda 2014).

## **9.2 Evidence from interviews: mayors' role description in subsidy processes**

We begin this section by describing how mayors portray their role and tasks in applications for subsidies. All 11 mayors state that they are well informed about subsidies for their municipality and they referred to examples of recent achievements. They emphasize the need to collect subsidies in order to fund operations and public services, through which they can identify and position themselves as policy makers. Mayors recognize the strategic and political relevance of subsidies that sometimes determine the quality and the level of services they are able to provide. Mayors testify that beyond merely financial support, the 'side effects' of applying for subsidies are at least as relevant. Especially project subsidies are catalysts for organizational dynamic offering legitimization to political projects. So the majority of the mayors use their strategic (and moral) authority to support and strengthen initiatives to obtain subsidies. Mayor 7: *"When I get involved in a project, I really throw myself into it and it starts to boom"*.

However, mayors must first earn respect and recognition. In this respect the obtaining of additional financial means is very relevant. Mayor 11: *"Yes, I am a strong and powerful figure but I had to earn my authority"*. Table 4 illustrates in general terms how the 11 mayors portray their involvement in subsidy applications. It is clear that some mayors really identify themselves through these actions for additional funding while others prefer to keep more distance.

*Table 4: mayors' role description in the subsidy process*

Mayor	Role description	Actions- behavior
1	Extremely active, key-figure, driver behind many initiatives, essential aspect of mayoralty	Writes applications, coordinates and monitors implementation, planning and execution
2	Less involved in subsidy applications	Uses political network to help administration, essentially in case of problems or complications
3	Stays informed about subsidies, but from a certain distance, more passive role	Does not intervene in practice
4	Public entrepreneur, manager of the 'public scene', strong involvement, brings people and ideas together	Sees opportunities, active when others are not, uses inside information for large projects, mobilizes network
5	Wants to be kept informed but focuses only on some specific cases	Relies on administration and college
6	Less active, more facilitative role	Trusts and relies on administration, intervenes only to fasten process of obtaining subsidies
7	Active, but only for larger and important projects, less active in other cases	Trusts the administrative staff, but tries to create support for projects and subsidy applications
8	Very active and involved, 'more do than think' person,	Strong operational focus, very present and supervising focus, uses mayoral authority
9	Active but more supporting role, coach	Focus on public works (also in portfolio), very limited operational activities
10	Monitors applications very closely, acts as catalyst and mediator	Considers subsidies and projects as initiatives to solve municipality's problems, recruits specific staff for subsidies
11	Very active, accelerator and strong driving force behind projects, entrepreneurial character 'a man with a plan'	Stimulates subsidies as stepping stone to realize bigger projects

Mayors' actions in subsidy processes are a combination of operational and strategic activities. 7 mayors restrict themselves to monitoring and supporting applications from a certain distance while 4 others are operationally involved. Indeed, the administration-politics interface is perhaps less complex at local government. This means that, if they choose so, mayors have the possibility to 'intervene operationally'. This is often encouraged by demands from their voters (Steyvers et al. 2006). So their task and job interpretation might diverge, but mayors share the same concerns and responsibilities with respect to the attraction of subsidies for their municipality.

### 9.3 The impact of political factors according to mayors

We present mayors' opinions about the impact of the political factors that we previously assessed quantitatively. We asked their opinion about the impact of parties in council, combining different political mandates, political experience and the influence of their party on the attraction of subsidies.

#### ***Political fragmentation- parties in council***

10 mayors emphasized that a stable and large majority contributes to a favorable climate for subsidy application. Only 1 mayor testified that working with a very tight majority generated more dynamism between the seating parties.

Regardless of the number of parties in council, all mayors stressed the importance of a good understanding between college members. College members share a common interest and as mayor 2 said: *"What is good for the majority, is also good for the mayor"*. Mayors' role in the college is to make the college work as a team, while respecting the checks and balances between the members and the parties they represent. The obtaining of subsidies can enhance the understanding between college members; it legitimizes the decisions of the majority and represents strategic advantages towards the opposition. As mayor 2 stated: *"Who can continue to be against a project if we receive additional funding?"*. Although most mayors stimulate initiatives from the college members, they maintain a directing and supervising role, clearly acting as 'first among equals'.

The formal power of their party, in terms of seats or vote share was less relevant. Strong opposition even keeps them alert in some cases, as mayor 4 stated: *"In a good competition you do not compete against weak opponents"*. They also mentioned that coalitions are more complex to manage but that the (financial) responsibilities are spread over different parties. They experienced that a powerful party might facilitate some processes for subsidy application, although 7 mayors thought that their prestige and moral authority even represented more power.

#### ***Mayors' membership of the Flemish parliament***

Only one mayor was member of Flemish parliament at the time of the interview, but others had ample political experience either as former minister or as member of different assemblies (federal, regional or provincial). 7 mayors considered their job as a full time occupation and were rather negative and skeptic about their cumulating colleagues. Mayor 7 puts it this way: *"Either you are an absent mayor or a very poorly performing member of parliament"*. In their opinion, it is not necessary to be in 'Brussels' if you can rely on other party members to defend your interests at crucial moments. Presence in the Flemish parliament is certainly not deemed essential, as mayor 4 testified: *"No mayor will ever get more subsidies for his municipality because he or she is a member of parliament. You really must be an*

*authoritative and respected parliamentarian in order to play a significant role in the Flemish parliament and to acquire advantages for your municipality, otherwise you get crumbs*". However, they recognized that a network of people who can foster or monitor applications for subsidies is particularly useful.

Although we did not find much support for the idea of combining political mandates, we cannot overlook the fact that 3 mayors had a more nuanced view. In their opinion combining mandates might be time-consuming but in smaller municipalities the combination should be easier to manage. Especially if they belong to the majority in parliament, such a direct link to the Flemish government can foster their demands for subsidies. They also think that the Flemish parliament needs members familiar with local issues, especially with regards to local finances.

One strongly divergent opinion came from the mayor who is currently having seat in the parliament. This mayor strongly defends the combination of mandates and considers the job in the parliament essential to lobby for the municipality in the context of Flemish-local relations. This mayor advocates the closeness to the apex of power and the accessibility of ministers and cabinets as crucial advantages in relation to the obtaining of subsidies.

#### ***Mayors' political experience***

Of the 11 mayors, 9 had experience as aldermen in different policy areas. In addition, 5 of them previously worked in other political assemblies (e.g., provincial council) or in ministerial cabinets. Experienced mayors consider this experience as essential to broaden their perspective about their municipalities' opportunities for resource expansion. During their mayoralty they closely monitor those policy areas for which they were responsible as aldermen. Mayor 6: *"As alderman, I have been responsible for urban development for years and it still remains one of my primary concerns"*.

Of the two non-experienced mayors, one regarded this as a strong disadvantage while the other could rely on relevant professional expertise.

#### ***Mayors' opinion about their party's role***

Our interviewees did not support the proposition that certain parties would be advantaged to obtain more subsidies than others, despite the fact that 10 mayors stressed the vital importance of their party's network. They positioned the role of their party in the 'back office' providing support, education and facilitating contacts between politicians but also between politicians and civil servants. Mayor 2: *"I really get a lot of information from the party, especially from committees where all mayors, aldermen and party group leaders are present"*. However, 4 mayors nuanced this relevance of their party. They stated that many contacts outside the party are equally important; that the party is mainly to make processes go more smoothly and that the party does not always bring the right decisions or solutions to

problems. Mayor 8: *“I am sometimes disappointed about the lack of solidarity in my party”*. One mayor strongly disagreed with the impact of party politics when applying for subsidies: Mayor 1: *“We are a purely local party, so the impact of parties in our applications for subsidies is extremely limited”*.

To realize their municipalities’ strategy and policy intentions, mayors often have to cooperate impartially and collegially with other powerful actors or bodies (Egner and Heinelt 2008). Various mayors confirmed that contacts with other parties are essential for resource expansion, to build strategic alliances, to create cooperation between municipalities and to foster the understanding between college members. Mayor 11: *“The party is important, but I must have many other contacts and I cannot allow myself to cocoon in my own party”*.

## 10. Conclusion

The mayors’ testimonies about their role in the obtaining of subsidies demonstrate that some mayors really act as entrepreneurial, facilitative and managerial individuals. These mayors stress the importance of networks (also outside their own party) and the interconnectivity with college members for the attraction of subsidies. Subsidy applications indeed require more internal cooperation than collaboration with external partners. This often demands strong presence in the municipality and operational involvement. Entrepreneurial mayors act as strategic initiators vis à vis the local administration. They are able to detect streams of opportunities and turn them into strategic advantages (translated into subsidies) for their municipality. They have the capacity and the authority to mobilize and focus fragmented actors in the direction of application for subsidies.

However, a smaller group of mayors chooses a more backbench position and prefers to delegate to civil servants.

Their opinions about the impact of political conditions in their municipality are somehow divergent but generally speaking personal aspects as moral authority, political experience, and openness for cooperation are esteemed more relevant in the process of obtaining subsidies than the formal political constellation.

## 11. Discussion

This study assessed the impact of some local political conditions on the subsidy flow to Flemish municipalities. In addition, mayors were interviewed about their role and their opinion about the influence of those political conditions. Mayors’ testimonies diverge in some ways from the large scale statistical results. A general observation is that the quantitative analyses focused on the impact of some political variables whereas the mayors testified of a more de-politicized role where personal reputation and authority are particularly relevant.

Some mayors also stated to be more attentive for thematic short term project subsidy applications, although statistical analyses do not support this. We also found no statistically significant effect of political experience on the subsidy flow, although mayors tend to contradict this finding. Should experience be operationalized by more general political and managerial skills rather than as years spent as councilor or aldermen? Maybe the differences between mayors' experience are not explicit enough, as most mayors can rely on several years spent in the council or the college.

Political conditions such as the number of parties in council, mayors' membership of the Flemish parliament and belonging to a local party have a statistically significant effect on the subsidies that municipalities obtain. This is in line with previous studies about resource expansion. However, when talking to mayors, other aspects appear as more relevant for mayors' actions in applications for subsidies.

How can these differences about the role of political conditions be explained?

Firstly, although we clearly asked for factual evidence we cannot ignore the fact that mayors' answers could be somewhat biased by social desirability. Nevertheless, this limitation can be dealt with by more triangulation of data and use of 'neutral information' e.g., by studying documents (for example parliamentary documents such as interpellations from mayors in parliament) or by interviewing other, non-political, key figures in municipalities.

Secondly, some local political aspects remain uncovered. For instance, in smaller municipalities the role of aldermen could be less powerful, giving more room to the mayor.

Another aspect is the positive impact of urbanization and size on the subsidy flow. Organizational factors, not yet identified but connected with size, clearly have a strong positive impact on the obtaining of subsidies. Because we combined different data, we are not able to establish exactly how political circumstances influence mayors' actions concerning subsidies as suggested by Avellaneda (2012a). Indeed, mayors can only function within the institutional structures, societal needs and party political constellations of their municipality (Steyvers et al., 2006, Avellaneda, 2012b). For example, as Schaap, Daemen, and Ringeling (2009) suggest, strong municipal managers might reduce the relevance of mayor. As the quest for additional financial resources will most certainly continue to be an essential aspect of mayors' work, it is certainly worth exploring under which organizational conditions mayors can flourish and fully play out their entrepreneurial role. In other words, which conditions generate the mayors' bonus in relation to obtaining subsidies? Following Petrovsky and Avellaneda (2014) this could be linked to the factors that favor local capacity building in terms of human, organizational or institutional development. In this respect the impact of spatial interactions could also be taken into account (Johansson 2003b, Ermini and Santolini 2010).

To end with, our interviews uncovered some other aspects of politicians' job interpretation. The mayors' involvement in subsidy processes demonstrate once more the dominance of executive politicians over non-executive (Buylen and Christiaens 2014). That the division between political-strategic and administrative-operational tasks does not hold in practice has been demonstrated before (see e.g., Liguori, Sicilia, and Steccolini (2009)) but is confirmed in relation to attracting subsidies as internal strategic process. Both mayors and the administration take up operational and strategic tasks. In the case of subsidy attraction, the political-administrative tandem is often pulled by the mayor although in their opinion the obtaining of grants is to a lesser extent (just) a matter of politics.



## 12. Appendix

Table 2: Descriptive statistics

	N	Min.	Max.	Mean	Std. Dev.
DEPENDENT VARIABLES (LN.)					
Total recurrent & non recurrent (excl. education) (Code A)	295	11.71	18.01	14.39	0.85
Total recurrent (Code B)	295	11.03	19.43	14.84	1.02
Total non- recurrent (Code C)	295	5.78	16.59	12.85	1.84
Selection subsidies (Code D)	295	6.24	17.83	13.36	1.52
INDEPENDENT CONTINUOUS VARIABLES					
Parties in council	295	2.00	6.00	4.17	1.07
Years mayoralty	295	0.00	48.00	10.87	7.59
Value property tax 2010	295	6.00	52.00	19.17	7.62
Debt/inhabitant 2010	295	0.00	5335.00	1072.17	606.76
Unemployment	295	2.10	14.10	5.28	1.70
Average income/inhabitant 2010	295	11959.00	23511.00	16798.60	1775.90
Share young people	295	25.67	46.72	37.14	3.42
Share elderly	295	20.70	54.15	30.69	4.51
Personnel/1000 inhabitants	295	2.53	17.47	6.95	2.08
INDEPENDENT DUMMY VARIABLES	N	Frequency	%		
Mayor member Flemish Parliament	295	32	10.8%		
Aldermen member Flemish Parliament	295	26	8.8%		
Party mayor Christian Democrats, Ecologists (2) and 1 nationalist mayor	295	153	51.9%		
Party mayor Liberal	295	40	13.6%		
Party mayor Local party	295	77	26.1%		
Party mayor Socialist	295	25	8.5%		
Belfius Cluster V1	295	25	8.5%		
Belfius Cluster V2	295	24	8.1%		
Belfius Cluster V3	295	24	8.1%		
Belfius Cluster V4	295	20	6.8%		

### Study 3: Local political conditions and subsidies

Belfius Cluster V5	295	24	8.1%		
Belfius Cluster V6	295	20	6.8%		
Belfius Cluster V7	295	20	6.8%		
Belfius Cluster V8	295	8	2.7%		
Belfius Cluster V9	295	25	8.5%		
Belfius Cluster V10	295	15	5.1%		
Belfius Cluster V11	295	14	4.7%		
Belfius Cluster V12	295	34	11.5%		
Belfius Cluster V13	295	12	4.1%		
Belfius Cluster V14	295	8	2.7%		
Belfius Cluster V15	295	6	2.0%		
Belfius Cluster V16	295	8	2.7%		

Table 3: Variables in the analysis

	References	Variables-Measure
Political factors	Johansson 2003a, Ashworth, Geys, and Heyndels 2005, Egner and Heinelt 2008, Avellaneda 2009b, Schaap, Daemen, and Ringeling 2009, Bouvet and Dall'Erba 2010, Krebs and Pelissero 2010, Petrovsky and Avellaneda 2014, Ermini and Santolini 2010, Avellaneda 2012b, Avellaneda 2012a, Buylen and Christiaens 2014	<ul style="list-style-type: none"> <li>- Parties in council (2006-2012)</li> <li>-Dummy mayor member Flemish parliament (0= not member, 1= member) (2004-2014)</li> <li>-Dummy aldermen member Flemish parliament (0= not member, 1=member) (2004-2014)</li> <li>-Party mayor (Christian Democrats, Ecologists and nationalists as reference category ) (2006-2012)</li> <li>- Political experience mayors (years of mayoralty in 2012)</li> </ul>
Control factors	de Borger et al. 1994, Johansson 2003a, Avellaneda 2009b, Krebs and Pelissero 2010, Petrovsky and Avellaneda 2014	<ul style="list-style-type: none"> <li>- Value 100 surcharges property tax (2010)</li> <li>- % unemployment (2011)</li> <li>-Debt / inhabitant (2010)</li> <li>-Average income/inhabitant (2010)</li> <li>-Share young people. Population 0-19 years compared to population 20-64 years (2011)</li> <li>-Share older people. Population 65+ compared to population 20-64 years (2011)</li> <li>- Personnel/1000 inhabitants (2011)</li> <li>- Belfius Cluster (15 dummies- ref.category cluster V12)</li> </ul> <p> V1= residential municipalities close to cities  V2= residential municipalities in rural areas  V3= rural municipalities –very rural with strongly ageing population  V4= municipalities with concentration of economic activities-rural municipalities with industrial activity  V5= regional municipality- medium-sized cities  V6= conglomerate municipalities- little urbanized with strong demographic decline  V7= conglomerate municipalities- strongly urbanized with low average income  V8= municipalities with concentration of economic activities- cities and conglomerate municipalities with industrial activities  V9= rural municipalities- small agricultural municipalities  V10= residential municipalities-conglomerate municipalities with service industry  V11= residential municipalities- residential municipalities close by cities with high incomes  V12 rural municipalities- rural or urbanized agricultural municipalities with strong demographic growth (reference category)  V13= municipalities with concentration of economic activities- urbanized agricultural municipalities with industrial activity and demographic growth  V14= regional municipalities- regional cities  V15= regional municipalities- large and regional cities  V16= tourist municipalities- coastal municipalities </p>

Table 5: Composition of subsidy computations

Code A = Total recurrent and non-recurrent subsidies (excl. education subsidies)
Code B = Total recurrent subsidies
Code C = Non-recurrent subsidies
Code D = Selection of 29 subsidy flows

A	B	C	D	SUBSIDY
√	-	√	-	Urban renewal projects (innovative and original projects)
√	√	-	√	Managers of diversity
√	√	-	-	Local centers for integration
√	-	√	√	Development of caravan parks
√	√	-	-	Compensation for particular loss of income (certain property taxes)
√	√	-	√	Agreements for aid developing
√	√	-	√	Touristic and recreational projects
√	-	√	√	Development of enterprise zones
√	-	√	√	House front renewal en renewal of disused commercial buildings
-	-	√	√	Building schools for compulsory and higher education
-	√	-	-	Wages subsidies for education
-	√	-	-	Operational subsidies for education
-	√	-	-	Local flanking educational policy
√	-	√	√	Infrastructure for healthcare facilities
√	-	√	√	Care and support for young people
√	-	√	√	Local projects for children's poverty
√	√	-	√	Preventative family support
√	√	-	√	Child care (daycare)
√	√	-	-	Stimulation of local sport policy
√	-	√	√	Projects for sport initiatives and sport infrastructure plans
√	√	-	-	Local youth policy
√	√	-	√	Cultural heritage organizations
√	√	-	-	Local cultural policy
√	√	-	√	Art organizations
√	√	-	-	Regular employment programs
√	√	-	-	Specific employment of subsidized contractual workers

### Study 3: Local political conditions and subsidies

√	√	-	-	Subsidies for centers for employment
√	√	-	-	Services for job-seekers
√	-	√	√	Action plans for diversity in employment participation
√	-	√	√	Small scale water purification
√	√	-	-	Program for development of rural areas
√	-	√	√	Support for prevention and selective waste handling
√	√	-	-	Agreements for environmental policy
√	-	√	√	Planning and development of land
√	√	-	√	Green sustainable jobs
√	-	√	√	Control of erosion
√	-	√	√	Mobility agreements
√	-	√	√	Bicycle infrastructure
√	√	-	-	Compensation for realization of register of unoccupied houses
√	√	-	√	Implementation and renewal of register of vacant parcels
√	-	√	√	Environmental structure planning
√	-	√	√	First register of building permits and plans
√	-	√	√	Public servants for urban development
√	-	√	√	Redevelopment of unoccupied or neglected manufacturing spaces
√	-	√	√	Social housing projects
√	√	-	-	Social renting agencies
√	√	-	-	Local housing policy
43	26	21	29	TOTAL (the Vlabest inventory identified more subsidy flows but we only included the flows with complete data in our analyses)

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## 14. End Notes

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<sup>1</sup> We use the terms subsidies and grants in the same meaning.

<sup>2</sup> Vlabest 'Vlaamse Adviesraad voor Bestuurszaken', Flemish Advisory Council for Administrative Affairs.

<sup>3</sup> An important conclusion of the distribution of grants to local governments is the 'flypaper effect'. It describes the effect that 'the money sticks where it hits' meaning that more subsidies to local government are not translated into lower taxes for the constituents. Stated otherwise, intergovernmental grants stimulate more local government spending than increases in private income.

<sup>4</sup> Political localism in Flanders: this characteristic prevails when local governments dispose of a high level of direct access to the decision-making of its central counterpart see e.g., Wayenberg (2005).

<sup>5</sup> Due to the unavailability of adequate data we are not able to measure aspects of efficient working or 'businesslike-working styles (which could be relevant in the process of obtaining subsidies). However, we incorporate the "Belfius clustering" a detailed clustering of municipalities comprising some 150 socio-economic factors into our analysis (Belfius 2013).

<sup>6</sup> In some cases the effective payment occurs many years later.

<sup>7</sup> Subsidies to municipal autonomous agencies are also taken into account.

<sup>8</sup> Composition of expert panel: dean faculty of political and social sciences, president of official association of Flemish local governments and Vlabest coordinator.

<sup>9</sup> N= 295 and not 308 to enhance the comparability of our findings as non-recurrent subsidies were attributed to 295 municipalities.

<sup>10</sup> We did not opt for per capita computations as this would lead to important distortions in the data (e.g., the (fixed) subsidy for constructing a caravan camp in small versus large municipalities).

<sup>11</sup> We excluded the education subsidies in this computation because they bias the result due to the considerable amount of investment subsidies for building schools (attributed to selection of municipalities).

<sup>12</sup> For example national parties change names at local level to recruit more potential candidates.

<sup>13</sup> For reasons of completeness, we conducted additional linear regression analyses with interactions (e.g., between certain parties and certain influential subsidies but also with interaction of mayoral experience and party or membership of the Flemish parliament). The interactions were not significant.

<sup>14</sup> One exception is debt/inhabitant; significant at 10% level on first dependent variable.

<sup>15</sup> We computed various interactions with the variable personnel/1000 inhabitants, none was significant.



## CONCLUSION

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Should we continue to be skeptic about local politicians' integration of modern government principles in their practices? This dissertation presents a nuanced picture of the impact of modernization reforms on politicians using original data and applying innovative research methods in the field of local financial management.

Yes, on the one hand, there are arguments to confirm the skepticism about the effects of modernizing government on politicians' behavior. Without even considering the impact on politicians' conduct, we established a limited familiarity with NPM principles of party group leaders. Presumably this is also applicable to other groups of politicians or similar principles and instruments. The second study reveals restricted observable use of financial information in the budget debate. *Mutatis mutandis*, one could argue that this also holds for other types of information (e.g., performance information) or for other contexts of decision-making (strategic planning, for instance).

These findings are important considerations for local governments. It means that in the decision-making processes, the political logic still prevails over the 'modern' more businesslike NPM-inspired reasoning. Politicians' lack of interest for a more efficiency based decision-making seems a deep and complex issue. Our analyses showed that individual characteristics and contextual factors have only limited or at least scattered influence on politicians' behavior or on their familiarity with NPM. This means that other aspects could be at play, for example politicians' intrinsic lack of motivation for new ways of working and thinking. Some politicians such as opposition members and less experienced councilors could feel discouraged, because of the advantage of their opponents from the majority or the executive board.

Beyond this question of personal motivation, we should ask ourselves if politicians can truly completely incorporate the new NPM principles in their range of thought. In this respect their preference for cash-based budgetary information over the new NPM driven accrual reporting is revealing. The implementation of businesslike accrual accounting has been a central element in many local financial management reforms, but our results about the observable use of information still show extremely limited usage of this information.

Indeed, we should keep in mind that NPM-like decision-making might require a shift in values and a fundamentally different perspective. Politicians are representatives of the different opinions and perspectives in society and decide in the public interest. So, are the tensions between the political and the NPM-like rationales actually surmountable? Are we

able to identify favorable or unfavorable circumstances for politicians' incorporation of the NPM ideas? The evidence presented in this dissertation points at some conditions in politicians' work environment that could enhance their use of financial information or their familiarity with NPM. The third study showed that the internal political situation such as the relations between college members or the competition between the parties in council might be influential. In general the balance of power in the council and the local governments' size demonstrate the importance of the 'local color', organizational and cultural factors that impact on politicians' behavior.

Another factor concerns ideology. Overall, the impact of ideology on local government modernization is very limited, but we noticed that in some cases political parties made a difference. Municipalities with mayors belonging to a purely local party obtain less subsidies compared to mayors from the Christian Democrats. Party group leaders of the majority (often traditionally governing parties) are also more familiar with NPM principles. We thus have some evidence that political networks might positively contribute to dispersing the modernization principles and instruments among politicians. In this respect it could be relevant to conduct further research into the role of political parties in the reform of local government.

Individual and socio-economic factors are also at play. The importance of personal characteristics such as experience, combining political mandates and financial expertise is demonstrated in the first study. Furthermore, some socio-economic and fiscal parameters influence politicians' behavior. Their impact is dispersed and difficult to interpret but in specific circumstances (e.g., in the occurrence of high municipal debt rate), they can impact on politicians' actions and their interest for businesslike information or methods. Finally, the studies demonstrate that organizational capacity, mostly measured by size and urbanization, has a clear positive impact on local governments' modernization. Councilors in larger municipalities are better informed and more familiar with modernizing government. Larger municipalities are better positioned to attract subsidies. Maybe their politicians face greater demands from the constituents or they can rely on a more extensive and professionalized administration?

On the other hand, the three studies provide arguments to be more positive and nuanced. An example is mayors' entrepreneurial behavior. The mayors that we questioned about their role in the process of attracting subsidies were very concerned with the financial management of their municipality. NPM-associated principles such as accomplishing effectiveness and efficiency as goals of financial planning were often imbedded in their initiatives to obtain subsidies. In some municipalities mayors act as strategic initiators and public entrepreneurs. Another positive element to consider is that party group leaders are significantly more

familiar with visible, external managerial NPM principles. This suggests that visibility of new instruments might also positively affect politicians' interpretation, translation and assimilation of new instruments and styles.

A final contribution of this dissertation is the attempt to make a quantitative assessment of politicians' internalization of 'businesslike' thinking. In study 1 and 2 original measures and methods are developed. The NPM – familiarity coefficient provides an adequate measurement of familiarity with NPM principles. Future studies could apply the coefficient to other groups of politicians. Although the coefficient has sufficient internal validity for various aspects of the NPM repertoire, other elements could be added (e.g., aspects of marketization, contracting out, performance based pay, competitive tendering, ...). Study 2 made a new evaluation of observable use of financial information. It demonstrates the potential of data collection in an action setting. It provides the opportunity to study the integration of ideas and information into practice. The same technique could be utilized to analyze the content of other debates in different political assemblies.



## IMPLICATIONS FOR PRACTICE

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Although this dissertation is essentially academic, some interesting points for practitioners occurred during the research activities. They might be interesting to improve future initiatives concerning local government reform. A first point is that there are prominent individual differences between politicians. Some groups of politicians have a clear knowledge advantage over others. As we already discussed, there is a large discrepancy in familiarity with NPM-instruments between politicians in opposition and those in majority. Factors such as political and working experience are also at play. So reformers might consider more differentiation when addressing or informing councilors.

As a matter of fact, Flemish local councilors' position is rather precarious compared to other countries (e.g., The Netherlands). It could be worth exploring if better working conditions would improve their performance in terms of effective and efficient political decision-making. Being a member of council is more than a pastime. Whether it is a fulltime or part time occupation, it requires specific training and expertise.

A second point is that there is no direct impact of legislation on politicians' behavior. Regardless of how much legislation is passed, without improving politicians' acceptance and knowledge of instruments and principles, there can be no genuine expectation that government reforms will be implemented properly. So this is a plea for less regulation and more efforts to create political support for modernizing local government.

A third point is that larger cities and municipalities clearly lead on their smaller counterparts. When assessing the impact of context, size was often one of the most determinant factors. It would bring us too far to deepen the relationship between municipal scale and governance capacity, but we cannot overlook this finding. It demonstrates that beyond merely adopting and implementing innovative practices, scale and organizational capacity also influence politicians' behavior. This is something reformers could bear in mind when informing or sensitizing local policy makers. It might also be an element in the ongoing discussion about municipal amalgamations in Flanders or elsewhere.





## SUGGESTIONS FOR FUTURE RESEARCH

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Referring to Pollitt's classification of public management reform, this research mainly focused on the third stage, i.e. the changes in politicians' practices, behavior and observable actions. Recent studies have attempted to cover macro level results of NPM implementation, where the impact of using performance information and accounting innovations received most attention. However, the intended final outcomes of modernizing government are more far-reaching than those 'instrumental' aspects. For example, what are the impacts of reforms on civil servants' behavior or more generally on local governments' performance? How are the relations between politicians and administrators affected by new ways of working? Emerging issues are, for instance, whether more 'businesslike' working by councilors is conceived as a threat by (top) civil servants? Another pertinent question is if the role of politicians in general could be undermined by this more 'businesslike' style of decision-making (as often advocated by the opponents of the reforms). This might be considered in a broader perspective taking into account the emergence of (semi)- autonomous local agencies.

Besides these few points on which future research could shed light on, some other suggestions for research occurred during our activities. For example, we established that contextual factors in some cases have an impact on politicians' behavior but that their impact is dispersed and not clear-cut. This demonstrates that we should be cautious when discussing politicians' actual observable behavior based on previously identified factors in other research settings. Studying real behavior is a slippery project without many previous findings to fall back on. Deeper research into the determinants of behavior in governmental reform could enable us to refine existing theoretical frameworks and to identify more clearly those environmental conditions that can favor any process of change in local government.

